



**GOVERNMENT OF THE DISTRICT OF COLUMBIA  
OFFICE OF THE INSPECTOR GENERAL**

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**Report on the Activities of the  
Office of the Inspector General  
Fiscal Year 2003**

**CHARLES C. MADDOX, ESQ.  
INSPECTOR GENERAL**

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**MESSAGE FROM CHARLES C. MADDOX, ESQ.  
INSPECTOR GENERAL**

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## MESSAGE FROM CHARLES C. MADDOX, ESQ. INSPECTOR GENERAL

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I am pleased to present our Annual Report for FY 2003 in compliance with the requirements of the Inspector General Act. Although I have informed the Mayor of my intention to resign, effective December 31, 2003, I have been privileged to serve as the Inspector General for this great city during the past 4 years, and I am extremely proud of the recent growth and accomplishments of the Office of the Inspector General (OIG).

***Creation of two new OIG divisions leverages outputs.*** After being confirmed as Inspector General in 1999, I established an Inspections and Evaluations Division (I&E) to complement and augment the techniques used by the Audit and Investigations Divisions to scrutinize government operations. In the course of its inspections and evaluations, I&E has alerted District officials to significant health, safety, operational, and management problems in major agencies that employ and serve our citizens. In one inspected agency, an analysis by I&E of contractual errors led to the eventual recovery by another OIG division of millions of dollars for the District's treasury. The Division has made more than 700 recommendations to District managers aimed at correcting deficiencies and improving efficiency and service delivery.

During March 2000 we received certification from the U.S. Department of Health and Human Services (HHS) for the funding of a Medicaid Fraud Control Unit (MFCU) for the District of Columbia. Previously, the District was one of the few jurisdictions in the United States that lacked such a unit to investigate and prosecute healthcare fraud and patient abuse. Since its inception, the MFCU has been successful in uncovering fraudulent Medicaid practices, resulting in the recovery of millions of dollars to the District government, and has conducted numerous patient abuse investigations, many of which have concluded with successful criminal prosecutions.

The addition of these two divisions has given us a broad and effective arsenal against fraud, waste, and abuse that has resulted in significant contributions to the District, not only in fiscal matters but also in helping agency heads provide the best services possible. In total, the OIG achieved monetary benefits/recoveries of approximately \$178.4 million over the FY 2000-2003 period. When compared to the \$40 million cost of operating the OIG over the same 4-year period, the benefit to the District is easily seen in the more than 4 to 1 return on investment for every OIG dollar expended.

Our Investigations Division (ID) has worked tirelessly to investigate hundreds of cases of alleged fraud and wrongdoing, has recovered funds, and has obtained restitution and asset seizures amounting to \$11.2 million from successful prosecutions resulting from our investigations. In the past 4 years, 35 District employees have been convicted of criminal violations involving theft of government funds and other job-related crimes.

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## MESSAGE FROM CHARLES C. MADDUX, ESQ. INSPECTOR GENERAL

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Over the same period, our Audit Division and I&E have been successful in making recommendations to improve the effectiveness and efficiency of more than 68 District agencies and have generated potential monetary benefits valued at \$153.6 million. To ensure that our recommendations have not only been agreed to, but implemented as well, we have taken the extra step of following up on previously made audit and inspection recommendations by reporting on corrective action not completed and by conducting re-inspections.

***Contributions to the Annual City Audit.*** The OIG served and continues to serve as a principal participant in the District's quest to maintain its financial strength, real growth, and fiscal integrity. The efforts of the OIG, the Office of the Chief Financial Officer, the independent auditors, and representatives from the Executive Office of the Mayor and the Council of the District of Columbia have combined to assure that the District's financial statements present fairly the results of its operations, earning the unqualified opinions expressed by the independent auditors. Much of this success can be attributed to the efforts of the Audit Oversight Committee that we created to monitor and coordinate the District audit. Clearly, our organization and committee members were ready to meet each challenge over the past 4 years as accounting changes, year-end spending pressures, and reporting requirements such as GASB 34 materialized. Consecutive unqualified audit opinions had profound and tangible effects on the District, the most obvious being the disbanding of the Control Board and the continuous rise in the District's bond ratings, benchmarks of the District's fiscal health.

***The first peer reviews.*** Thanks to the hard work and professionalism of our auditors, inspectors, investigators, attorneys, and administrative support personnel, the OIG became the first oversight organization in the District to have all of its operating divisions pass a peer review. The peer review certification of our Audit Division was conducted by the prestigious National Association of Local Government Auditors (NALGA). The peer review of I&E and the first-ever peer review of an IG investigations division was conducted by the Inspector General of the City of Philadelphia using the standards applicable to federal Inspector General offices.

***FY 2003 accomplishments.*** As in previous fiscal years, the OIG was highly productive in FY 2003. We reported potential monetary benefits of \$62.2 million, which included recoveries of funds, restitutions, and fines amounting to \$13.6 million. Overall, our operating divisions exceeded the majority of their performance goals. The Audit Division issued 37 reports containing recommendations addressing performance management issues affecting 23 District agencies. Potential monetary benefits derived from audits amounted to \$48.6 million. Some of the more significant audit reports in FY 2003 included the Audit of the Child Support Enforcement System that uncovered \$10.5 million in waste and undistributed collections. Another audit, the Audit of Software Licensing, found that the city was at risk of having to pay \$8.6 million for using

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## **MESSAGE FROM CHARLES C. MADDOX, ESQ. INSPECTOR GENERAL**

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unlicensed software. In reviewing the support for a HOPE VI construction project, OIG auditors found \$14.6 million in unsupported or questionable costs paid to building contractors.

However, not all audits focused on monetary issues. For example, one audit addressed how well the District's mental health agency responded to unusual incident reports of patient abuse in residential facilities. The Audit Division will continue to provide professional auditing services consistent with the risks identified in the annual audit plan. Those risks may relate to the District's finances, to its liability or that of its employees, or to the potential for physical harm or injury to employees or third parties.

Over the past year, the I&E initiated reviews of eight District agencies, including re-inspections of three previously inspected agencies. We issued 17 reports that included a total of 136 findings and 242 recommendations. One of the more important and critical inspections we performed involved a review of the Office of the Chief Medical Examiner where our inspectors found serious health, safety, and operational problems. Our inspections also found systemic problems in the Fire and Emergency Medical Services Department regarding the handling of emergency calls, and numerous operational problems throughout the Department of Health.

By law, the OIG must report evidence of criminality to the Office of the United States Attorney for the District of Columbia (USAO). The Investigations Division continued to address fraud in District programs, and our investigators have been called upon to participate with federal authorities in several highly publicized investigations. Our special agents have worked with FBI agents and other investigators to detect and prosecute corrupt employees and former employees in the Department of Motor Vehicles and the Office of Property Management. In addition, our agents are reviewing thousands of credit card transactions to determine whether any District employee used a purchase card for personal gain.

For FY 2003, we received 133 allegations of waste, fraud, and abuse through our Hotline, many of which resulted in investigations or were included in our referral program. We increased the number of cases we presented this year for prosecution to federal authorities by over 40 percent, and the number of these cases accepted for prosecution increased by 55 percent. At the same time, we referred 168 matters to District agency heads.

One of the more noteworthy OIG achievements this year was our settlement of the First Health case. Working in partnership with the USAO, our Medicaid Fraud Control Unit (MFCU) reached a settlement of more than \$13 million in the case. I believe this success is a harbinger of things to come as the MFCU continues to search for new and creative

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## MESSAGE FROM CHARLES C. MADDOX, ESQ. INSPECTOR GENERAL

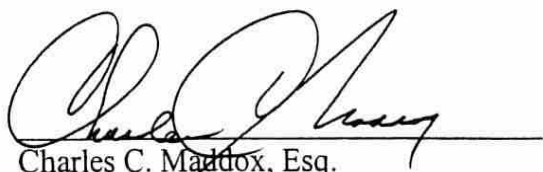
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approaches to recovering funds lost each year to fraud, waste, and abuse in the District of Columbia's Medicaid program.

*The future of the Office of the Inspector General.* The manner in which the OIG addressed its mandatory and discretionary responsibilities is set forth comprehensively in this Annual Report, and I hope that it will serve as useful guide to the next Inspector General.

Despite the considerable fiscal progress made by the District during the past five years, it is essential for an Inspector General to continue to audit the city's financial records in an objective manner and to operate as a watchdog for fraud, misconduct, and inefficiency in the city government. Of paramount importance, however, is the statutory requirement that the IG be independent and protected from political pressure when conducting audits, inspections, and investigations – no matter where the trail leads. Any infringement on this independence will undermine the credibility of all OIG operations, findings, and recommendations, rendering them meaningless to the Congress, the District government, and the public.

I believe that during my tenure in this Office I have successfully maintained that independence – despite some vigorous challenges. I encourage my successors to be steadfast guardians of the OIG's independence in the future to ensure that the Office remains beyond the reach of politics and partisanship.



Charles C. Maddox, Esq.  
Inspector General

November 26, 2003

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## **RISK ASSESSMENT**

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## RISK ASSESSMENT

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In our endeavor to ensure that our efforts focused on the issues most beneficial to the District, we designed and executed our audit, inspection, investigation, and MFCU programs to address the risks and challenges facing the District. Notwithstanding the statutory mandates that govern the conduct of our activities, we continually focus our efforts on those discretionary topics that are of the greatest concern to the city's stakeholders and those that pose more serious risks and challenges for maintaining the District's fiscal health and solvency. With a mere 2 years since the dormancy of the Control Board, District stakeholders have emphasized their continuing commitment to proactively managing District affairs to avoid the risks that could trigger the re-emergence of budget deficits and management inefficiencies.

The past 2 years provided valuable insight into the significant areas of risks and problems that have helped shape our priorities for focusing resources. Our approach was first enunciated in our annual audit and inspection plan that drew attention to five themes to govern our operations, help us achieve our mandated mission, and further the city's strategic initiatives. These themes included:

- Revenue Enhancement
- Spending and Efficient Use of Resources
- Delivery of Citizen Services
- Support Services
- Audits Required by Law

***Revenue Enhancement*** – There is no more critical initiative in any municipal government than a city's ability to generate revenue to fulfill budgeted needs. In a sense, the District's financial health is predicated on how well actual revenues approximate or exceed anticipated revenues. With this in mind, we have planned and undertaken reviews of some critical revenue generating programs in such revenue sensitive areas as grant management, tax collections, and other diverse revenue issues. The District relies on an infusion of federal grants to enable the full complement of needed and often critical services to District residents. Mismanagement of grant programs or failure to maximize grant participation, poses serious risks to the District's revenue generating capability and its ability to sustain growth. Equally important is the ability to maintain effective tax collection programs, free of abuse, and executed with equity based on the requirements of law. In view of these concerns, we continue to review aspects of the grant management program including the acquisition of grants, drawdown of grant funds, cash management issues like advance payments, and the sufficiency of grant agreements. Of particular importance for the issue of tax collections, we will increase our work on such issues as delinquent taxes, the tax appeal process, and the processes utilized for real property tax assessments.

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## RISK ASSESSMENT

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***Spending and Efficient Use of Resources*** – The risks posed by uncontrolled spending or over-budgeted spending to meet critical municipal needs has presented the District with serious year-end challenges. These challenges are further compounded by ineffective management oversight and inadequate internal controls which, on occasion, facilitated criminal activities. The criminal activities deprive District agencies of valuable resources. Specifically, weaknesses in personnel background checks, inattention to employment suitability issues, and false credentialing, unless checked, will cost the District money and credibility. OIG investigations will continue to focus on dishonest and corrupt District employees and to seek prosecution of those employees by federal authorities. Further, the OIG will team with other District agencies proactively to combat fraud in District programs.

As the District continues to mitigate successfully recent spending pressures, the need to exert better controls over spending, in terms of efficient application of resources and in executing prudent buying choices and efficient procurement of goods/services, becomes critical. A parallel important issue is the post-award administration and management of contracts. We have designed a response to these risks to include reviews of specific District agency programs and functional evaluations of selected procurement issues regarding the process for awarding and managing sole source, expert and consulting, construction, and letter contracts. We also plan to review the District policies, procedures, and processes for administering contracts. These reviews are consistent with our statutory mandate to review District procurements annually.

***Delivery of Citizen Services*** – In any city environment, the quality of life is often measured by how effective that municipality is in delivering services to its residents. The District, a city of more than ½ million people, prides itself as the Nation’s capital; however, it is challenged to provide core services such as education, fire and police services, family and child care services, elder care and a host of other essential needs, with limited capacity for revenue growth. Thus, the risks imposed by not meeting these needs are significant, not so much in how they relate to fiscal issues or even the administration of the Capital city, but more so in how they affect individual citizens. With this in mind, the OIG has sought to focus its resources on such topics as school security, children’s programs, youth services, public works, housing, health and mental health care, and other programmatic areas. As we have in the past, we will continue reviewing District agency performance measures as a means to gauge the District’s success in meeting the Mayor’s performance goals.

An added measure to address citizen service delivery is the OIG Referral Program. The Referral Program is an important adjunct to the investigative work of the ID and allows the OIG to be responsive to citizen complaints that do not warrant formal investigation by criminal investigators. The Referral Program is an invaluable mechanism by which the OIG is able to refer complaints directly to District government agency heads in order to

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## RISK ASSESSMENT

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ensure that they are accountable to citizen concerns and responsive to the public interest. During FY 2003, the OIG referred a total of 168 matters to 30 District agencies.

***Support Services*** – All District agencies rely on Information Technology (IT) systems and integrated processes for essential functions, record keeping, reporting, and in providing basic services to District residents. There are inherent risks associated with information systems that can have catastrophic consequences once a system has been compromised, infiltrated, sabotaged, damaged or otherwise made unusable. Fortunately, system safeguards and controls are normally emplaced when the systems are designed and put into use. As we have in years past, we have again focused efforts on evaluating both the acquisition of IT systems and the general controls (controls over physical access to systems and information) and application controls (controls over data security and intrusion). We plan to continue our vigilance by examining agency controls over information technology equipment, and will evaluate the payroll conversion process at the public schools. Further, we will examine the controls over the D.C. Lottery and Charitable Games Board and the effectiveness of the Destiny system at the Department of Motor Vehicles.

***Audits/Reviews Required by Law*** – Perhaps the greatest achievement for the District in the past six years has been its ability to sustain a position of financial strength and fiscal responsiveness demonstrated by consistently obtaining unqualified opinions on its financial operations/statements. Added to this acclaim is the fact that the District's bond ratings have risen to historic high levels and that it has been able to balance its needs within budget constraints. As has been evident in nearby jurisdictions and in cities across the nation, balanced budgets and surpluses can be illusionary, and present successes can be jeopardized by unforeseen events (like September 11) or naturally occurring economic downturns. Within sight of the goal of sustaining the District's solvency and fiscal health, we remain committed in our oversight of the independent audit of the District's Comprehensive Annual Financial Report (CAFR) for FY 2003. We will also comply with statutory requirements for performing financial reviews of specific funds and further, will continue to be vigilant to those conditions that could give rise to spending pressures or otherwise materially affect the District's financial position.



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## **GENERAL ACTIVITIES**

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## GENERAL ACTIVITIES

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### MISSION

The mission of the Office of the Inspector General (OIG) is set forth by statute in D.C. Code § 2-302.08(a-1) (2001). As the District's watchdog over District government activities, the OIG must act independently to:

- (1) Conduct and supervise investigations, inspections, and fiscal and management audits that relate to the programs and operations of District government departments and agencies, to include independent agencies;
- (2) Provide leadership, coordinate with, and recommend policies for activities designed to promote economy, efficiency, and effectiveness and to prevent and detect corruption, mismanagement, waste, fraud, and abuse in District government programs and operations; and
- (3) Provide a means to keep the Mayor, City Council, and District government department and agency heads fully and currently informed about problems and deficiencies relating to the administration of District government programs and operations as well as the necessity for and the progress of corrective actions.

D.C. Code § 2-302.08(a-1) (2001).

### ABOUT THE OIG

The OIG is an executive branch agency within the District of Columbia government. Although the OIG is a subordinate agency under the administrative control of the Executive Office of the Mayor, the OIG performs its mission independently of the Executive Office of the Mayor. The OIG's authority to investigate, audit, and inspect District government operations and programs is facilitated by statutory access to the records and property of other District agencies and employees. In addition, the Inspector General may issue subpoenas for witness testimony and documentation and may enforce these subpoenas in the Superior Court of the District of Columbia. If evidence of a criminal violation is uncovered, the OIG refers the matter to the U.S. Department of Justice. If an OIG investigation yields evidence of misconduct that does not rise to the level of criminality, the OIG recommends administrative and/or disciplinary action to the Mayor or an agency head, as appropriate.

The hallmark of any Inspector General Office is independence - the ability to investigate complaints and review government operations without outside influence or intrusion.

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## GENERAL ACTIVITIES

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One way in which the OIG has historically been insulated from political pressure is through a provision in the OIG's authorizing statute that authorizes the OIG to submit its budget for Congressional approval without revision from the Mayor or the D.C. Council. The statute further provides that the OIG's budget is appropriated solely for OIG operations and paid to the office in such installments and times as the Inspector General requests.

To further ensure independence, the statute provides that the Inspector General must be appointed to a six-year term, without regard to party affiliation. In addition, the Mayor may remove the Inspector General from office only for cause.

During Fiscal Year 2002, the D.C. Council introduced the Fiscal Year 2003 Budget Request Act (D.C. Act 14-402) to, *inter alia*, eliminate the OIG's budget autonomy; specifically, the Budget Request Act removed the provision in the OIG's statute that prohibited the D.C. Council from revising the OIG's annual budget. The Budget Request Act did not become law in Fiscal Year 2003 because it failed to receive congressional approval.

However, the D.C. Council initiated another series of legislation during Fiscal Year 2003, which was similarly designed to erode the congressional provisions designed to ensure the independence of the OIG. Introduced in the spring of 2003 as emergency (Bill 15-200), temporary (Bill 15-201), and permanent (Bill 15-183) legislation, the Inspector General Qualifications Amendment Act of 2003 (Qualifications Act) expanded the necessary qualifications for the Inspector General and applied these new qualifications to the current Inspector General, Charles C. Maddox, Esq., who did not and could not meet the new requirements. Moreover, because the Qualifications Act provided that the current Inspector General would forfeit his office if he did not meet the new qualifications on June 1, 2003, this legislation essentially created a means for the D.C. Council to bypass the statutory requirement that provides for the Inspector General's removal only through mayoral action and for cause.

Prior to the Qualifications Act, the Inspector General was appointed without regard to party affiliation for a six-year term, and solely on the basis of integrity and demonstrated ability in accounting, auditing, financial management analysis, public administration, or investigations. *See* D.C. Code §§ 2-302.08(a)(1), (B), and (D) (2001). The statute permitted reappointment of the Inspector General for additional terms and granted the Mayor (or the D.C. Financial Responsibility and Management Assistance Authority in a control year) the authority to remove the Inspector General for cause. *Id.* § 2-302.09(a)(1).

Through the Qualifications Act, the D.C. Council added several new qualification requirements for the current and future Inspectors General. First, the legislation requires the Inspector General to possess a minimum of seven years of supervisory and management experience and a minimum of seven years aggregate experience in law,

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## GENERAL ACTIVITIES

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accounting, auditing, financial management analysis, public administration, or investigations. Second, the new legislation requires the Inspector General to be a graduate of an accredited law school, be a member in good standing of the D.C. Bar for at least seven years immediately preceding appointment, and have seven years' experience in the practice of law. If the Inspector General does not possess the requisite legal background, the new legislation requires that he/she have licensure as a certified public accountant (CPA) for at least seven years immediately preceding appointment plus seven years aggregate experience in accounting, tax consulting, or financial consulting. Finally, if he/she does not possess the requisite legal background or seven years of CPA experience, then the Inspector General must hold a CPA certificate from the D.C. Board of Accountancy, have membership with the Greater Washington Society of Certified Public Accountants, and possess seven years' experience in the practice of public accounting.

Because Inspector General Maddox did not possess all of the new qualifications and could not obtain the same by June 1, 2003, the D.C. Council's law mandated that he vacate his position on June 1, 2003. The legislation further provides that once a vacancy occurs for reason other than term expiration, the Mayor will appoint another Inspector General to serve the remainder of his/her predecessor's unexpired term. If a vacancy occurs, the Qualifications Act prohibits anyone from serving in the position on an acting basis unless he/she meets the new qualifications. Finally, the Qualifications Act adds a provision that prohibits the Inspector General from serving in a "hold-over capacity" at the expiration of his/her six-year term.

When presented to the Mayor for approval, the Mayor vetoed each version of the Qualifications Act because the legislation usurped his authority to remove the Inspector General and, thus, violated constitutional separation of powers provisions. Accordingly, after the D.C. Council voted to override the vetoes, the Mayor instructed Inspector General Maddox to remain in his position on May 30, 2003. The D.C. Council then filed suit against the Mayor in the District of Columbia Superior Court, claiming that the Mayor had no choice but to enforce the new law and require Inspector General Maddox to step down.

The Court, however, disagreed. On August 1, 2003, the Honorable John M. Campbell ruled that the D.C. Council's attempt to impose stricter job qualifications upon an executive branch appointee violated separation of powers principles; therefore, the Court declared that the provision of the Act that applied to Inspector General Maddox was void. It is noteworthy to mention that in his decision, Judge Campbell found that "[p]lainly, removing Mr. Maddox was at least one of the purposes of the 2003 IG Act, however much plaintiffs characterize it as 'incidental,' and the Council crafted a measure that would accomplish that goal." *Cropp, et al. v. Williams*, No. 03ca4569, slip op. at 8 (D.C. Super. Ct. Aug. 1, 2003).

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## GENERAL ACTIVITIES

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Judge Campbell's decision left the remainder of the Qualifications Act in effect, and the more stringent qualification requirements will apply to future Inspectors General. *See* D.C. Code §§ 2-302.08(a)(1), (A-i), (B)(iii), (D), and (D-i) (LEXIS through D.C. Reg., Vol. 50, No. 23, June 6, 2003). However, the D.C. Council appealed Judge Campbell's ruling to the District of Columbia Court of Appeals on August 5, 2003. The Court of Appeals has granted the parties' request to expedite the appeal, and oral arguments are expected to occur in December 2003.

## STATUTORY RESPONSIBILITIES

The OIG's current statutory responsibilities are the result of a series of federal and local legislation. The D.C. Council's Procurement Practices Act of 1985 (D.C. Law 6-85, effective February 21, 1986) established the statutory duties of the OIG. Congress substantially modified these duties and the OIG's powers in 1995 via the D.C. Financial Responsibility and Management Assistance Act of 1995, Pub. L. No. 104-8, § 303 (adopted April 17, 1995). Four years later, the D.C. Council fortified the OIG's law enforcement powers through passage of the Office of the Inspector General Law Enforcement Powers Amendment Act of 1998 (D.C. Law 12-190, effective March 26, 1999). This Act authorized OIG's criminal investigators to carry firearms in the District of Columbia while engaged in the performance of official duties and make arrests without a warrant for felony violations committed in their presence in the District. OIG investigators were also granted additional authority to execute search warrants issued upon probable cause.

The Office of the Inspector General Powers and Duties Amendment Act of 1999 (D.C. Law 13-71, effective April 5, 2000) amended the OIG's statute in several ways. The Act codified the OIG's mission statement and the OIG's policy of non-disclosure of the identity of complainants or individuals providing information to the OIG, unless the IG determines that disclosure is unavoidable or necessary to further the investigation. This Act also codified the OIG's responsibility to make recommendations to the Mayor or agency heads for administrative sanctions against any employee or contractor who refuses to cooperate with an official OIG investigation. The Act provided that in the course of its official duties, the OIG has access to all papers, documents or property belonging to, or in use by, District government subordinate and independent agencies, except the D.C. Council and the District of Columbia Courts. Under the provisions of this Act, the OIG is required to comply with generally accepted auditing, inspection, and investigation standards, and the OIG must develop and participate in a peer review which will enable the OIG to complete, every third year, a thorough assessment of its auditing, inspection, and investigative standards, policies, procedures, and quality controls.

Each of these acts are codified at D.C. Code § 2-302.08 (2001). The OIG's current responsibilities include the following:

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## GENERAL ACTIVITIES

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- Independently initiate and conduct fiscal and management audits, inspections, and investigations of District government operations.
- Conduct other special audits, assignments, and investigations.
- Act as the liaison representative for all external audits of the District government.
- Serve as the principal liaison between the District government and the U.S. General Accounting Office.
- Conduct an annual operational audit of procurement activities of the District government.
- Forward to the appropriate authorities evidence of criminal wrongdoing discovered as the result of any OIG audit, inspection, or investigation.
- Contract with an outside auditor to perform the Comprehensive Annual Financial Report (CAFR) of the District government for each fiscal year.
- Notify the Mayor of evidence of wrongdoing, where appropriate.
- Administer oaths, affirmations, and affidavits.

In July 2001, the OIG sought to increase its independence and grant OIG investigators full law enforcement authority through the Office of the Inspector General Independence and Law Enforcement Amendment Act of 2001 (Bill 14-314), which was introduced by D.C. Council Chairman Linda W. Cropp at the request of the Mayor. In response to Bill 14-314, Councilmember Vincent B. Orange, Sr., Chairman of the D.C. Council Committee on Government Operations, introduced Bill 14-332, the “Inspector General Integrity Committee Establishment Amendment Act of 2001” in September 2001.

Bill 14-332 was designed primarily to create a committee to receive and investigate allegations of administrative misconduct lodged against the Inspector General and OIG senior staff members. Both Bill 14-314 and Bill 14-332, however, died in committee during Fiscal Year 2003 and, therefore, neither was enacted into law.



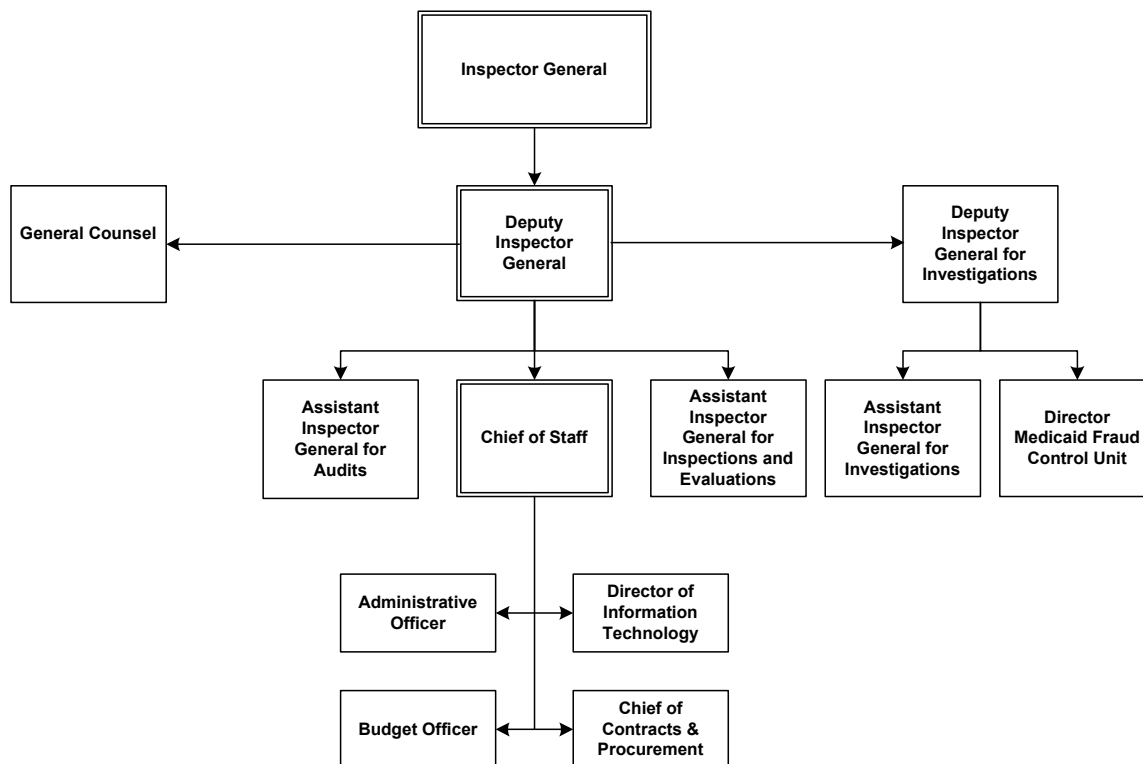
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## GENERAL ACTIVITIES

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### ORGANIZATION

The OIG is comprised of the Inspector General, the Principal Deputy Inspector General, the Deputy Inspector General for Investigations, the General Counsel, the Chief of Staff, and four divisions: Audit Division; Investigations; Inspections and Evaluations; and the Medicaid Fraud Control Unit (MFCU). An Assistant Inspector General (AIG) leads each Division and a Director leads the MFCU. All executives report directly to the Principal Deputy Inspector General. Reporting to the Deputy Inspector General for Investigations<sup>1</sup> are the AIG for Investigations and the Director of the MFCU. Reporting to the General Counsel are the legal staff. Reporting to the Chief of Staff are the Budget Officer, the Chief of Contracts and Procurement, the Administrative Officer and the Director of Management Information Technology. The Chief of Staff also directs relations with the media, the City Council, and Congress. The following organizational chart depicts the reporting hierarchy.



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<sup>1</sup> At present, a hiring freeze has caused the Deputy Inspector General for Investigations to remain vacant after the resignation of the incumbent.

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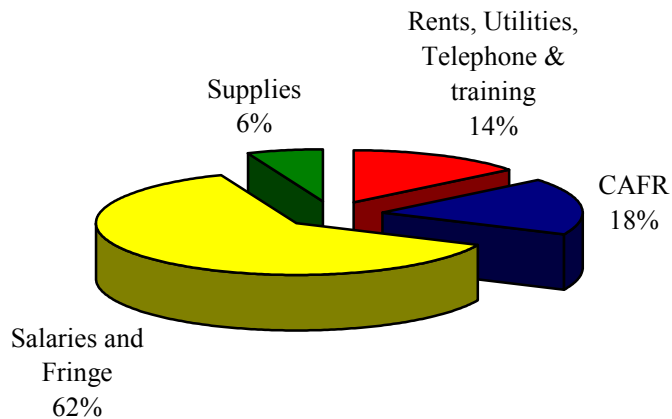
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## GENERAL ACTIVITIES

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### BUDGET AND PERSONNEL

The OIG's approved FY 2003 budget was \$12.7 million, a reduction of \$1.1 million from our original request of \$13.8 million. The reduction was the result of the OIG voluntarily participating in the District's FY 2003 City-wide savings initiative. In order to operate within our new baseline budget, the OIG has frozen 5 of its 108 positions. The following is a breakdown of our local funding by object class.



### SENIOR STAFF

Senior staff positions were occupied as follows:

#### **Inspector General**

5/20/99 – present: Charles C. Maddox, Esq.

#### **Deputy Inspector General**

2/28/00 – present: Austin A. Andersen, Esq.

#### **Deputy IG for Investigations**

12/16/01 – 1/3/03: Jerome O. Campana

1/4/03 – present: Vacant

#### **General Counsel**

12/31/00 – present: Karen E. Branson, Esq.

#### **Deputy General Counsel**

8/11/02 – present: Victoria L. Lucchesi, Esq.

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## GENERAL ACTIVITIES

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### **Chief of Staff**

5/21/00 – 10/3/03      Gloria P. Johnson

### **Assistant Inspector General for Investigations**

2/10/03 – present:      Robert G. Andary

### **Deputy Assistant Inspector General for Investigations**

5/15/98 – present:      Alfred Miller

### **Assistant Inspector General for Audits**

6/18/00 – present:      William J. DiVello

### **Deputy Assistant Inspector General for Audits**

7/16/00 – present:      Cheryl L. Ferrara

### **Assistant Inspector General for Inspections & Evaluations**

6/21/99 – present:      Alvin Wright, Jr.

### **Deputy Assistant Inspector General for Inspections & Evaluations**

6/21/99 – present:      Robert L. Isom

### **Director of Medicaid Fraud Control Unit**

2/22/00 – present:      Sidney Rocke, Esq.

### **Deputy Director of Medicaid Fraud Control Unit**

9/9/02 – 11/29/02:      Juan J. Rivera, Esq.

1/27/03 - present:      Susan B. Kennedy

### **Administrative Officer**

3/12/93 – present:      Grace Y. Price

### **Budget Officer**

3/16/98 – present:      Raneé Phillips

### **Chief of Contracts & Procurement**

9/9/01 – present:      Russell Symons

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## GENERAL ACTIVITIES

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### TRAINING

The OIG recognizes that the quality and effectiveness of its products is dependent upon a professionally trained staff. To this end, the OIG allocates a portion of its resources to ensure continuing professional education for its staff. The following is a summary of the number and type of training courses taken by personnel of the OIG Divisions.

The training courses received in FY 2003 by OIG personnel are summarized as follows:

<b><u>Type of Training</u></b>	<b><u>No. of Courses Taken By Various Employees</u></b>
1. Audit	21
2. Investigative	07
3. Inspections	06
4. Medicaid/Health Care Fraud	05
5. Computer	22
6. Legal	04
7. Human Resource Management	05
8. Procurement and Contracting	05
9. Office Management/Administrative	<u>15</u>
<b>Total training courses:</b>	<b>90</b>

### WEBSITE

The OIG website is a key source of information regarding OIG operations and public documents. It contains information about our legislative authority and organizational structure, including the biographies of key personnel. The site also posts the full text of all audit and inspections reports, notices regarding completed investigations, annual reports, testimony, press releases, requests for proposals and vacancy announcements. To expedite action on important tips from the OIG hotline and other sources, the site suggests the type of information individuals should provide to us when reporting fraud, waste, abuse, and mismanagement. In FY 2003, the OIG redesigned its website. The new address is [www.oig.dc.gov](http://www.oig.dc.gov).

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## **FISCAL YEAR 2004 AUDIT AND INSPECTION PLAN**

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## FISCAL YEAR 2004 AUDIT AND INSPECTION PLAN

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The annual audit and inspection plan (Plan) includes descriptions of mandated audits and discretionary audits and inspections to be conducted in the upcoming fiscal year, based on risk assessments of vulnerable programs and issues; input from the District's executive and legislative leadership, agency officials, and other stakeholders; and the requirements of Public Law. The FY 2004 Plan includes audits and inspections ongoing as of September 1, 2003. A copy of our annual plan can be accessed via our website at [www.oig.dc.gov](http://www.oig.dc.gov).

In an effort to sharpen the focus of our audits and inspections, the OIG continuously assesses those programs and activities that pose the greatest risk to the District. Statutory mandates govern the conduct of many of our activities; however, the majority of our activities are discretionary. Responsible use of our audit and inspection resources has become increasingly important as the District seeks to maintain financial integrity and fiscal stability despite known limitations for revenue growth. Clearly, District stakeholders have emphasized their continuing commitment to avoid risks that could trigger the re-emergence of budget deficits and management inefficiencies.

Our annual audit and inspection plan includes OIG initiatives for audit and inspection coverage that will focus on areas that present the highest risks to maintaining the District's continued financial strength. Similar to the thematic approach in FY 2003, our FY 2004 Plan will continue our focus on five strategic themes that will govern our operations, help us achieve our mandated mission, and further the Mayor's strategic initiatives. These themes are:

- I. Revenue Enhancement
- II. Spending and Efficient Use of Resources
- III. Delivery of Citizen Services
- IV. Support Services
- V. Audits Required by Law

Ever mindful of the critical importance of maintaining a consistently strong financial posture, the Plan also takes into consideration the legislative triggers that could require the District's return to the operational control of the D.C. Financial Responsibility and Management Assistance Authority. D.C. Code § 47-392.09 (2001) states, in part, that a "control period" is initiated upon the occurrence of any of the following events:

- requisitioning by the Mayor of advances from the Treasury of the U. S. under Title VI of the D.C. Revenue Act of 1939;
- failure of the District government to provide sufficient revenue to a debt service reserve fund of the Authority;



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## FISCAL YEAR 2004 AUDIT AND INSPECTION PLAN

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- the default by the District government with respect to any loans, bonds, notes or other form of borrowing;
- the failure of the District government to meet its payroll for any pay period;
- the existence of a cash deficit of the District government at the end of any quarter of the fiscal year;
- the failure of the District government to make required payments to pensions and benefits; or
- the failure of the District government to make required payments to any entity established under an interstate compact to which the District of Columbia is a signatory.

As has been the practice in the last 3 years, formulation of the Plan began with the initiation of the annual planning conference held in July, 2003. To ensure that FY 2004 audits and inspections focused on the issues that posed the greatest challenge to the District, we obtained the participation of a group of District agency officials, and an official from a neighboring jurisdiction, to speak about their concerns, serve as discussion panelists, and offer a critique of our audit process. Speakers and panelists included the Deputy Mayor for Operations; Director of the Emergency Management Agency; Chief, Fire and Emergency Medical Services; Director, Department of Employment Services; Deputy Director, Department of Housing and Community Development; Interim Director, Child Support Enforcement Division of the Office of Corporation Counsel; General Counsel, District of Columbia Public Schools; Director, Internal Audit/Security of the Office of the Chief Financial Officer, and the Director of Internal Audit, Fairfax County Public Schools. Not only did this esteemed group provide valuable insight into their individual programs and challenges facing the city, their evaluation of our audit process provided an unbiased assessment in several important audit areas.

We have undertaken an ambitious audit plan, shaped in part by concerns of the District leadership. For FY 2004, our Plan lists 73 audits and inspections, including 23 on-going reviews from FY 2003 and 50 new projects for FY 2004. The listing of a particular audit or inspection in this Plan does not necessarily mean that problems exist or that a review will be undertaken. While our intention is to execute and engage each of the planned audits and inspections, the realities of having limited resources and the unknown priorities arising from exigencies throughout the year often determine what audits or inspections can ultimately be initiated in any fiscal year.

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## **ACTIVITIES OF THE AUDIT DIVISION**

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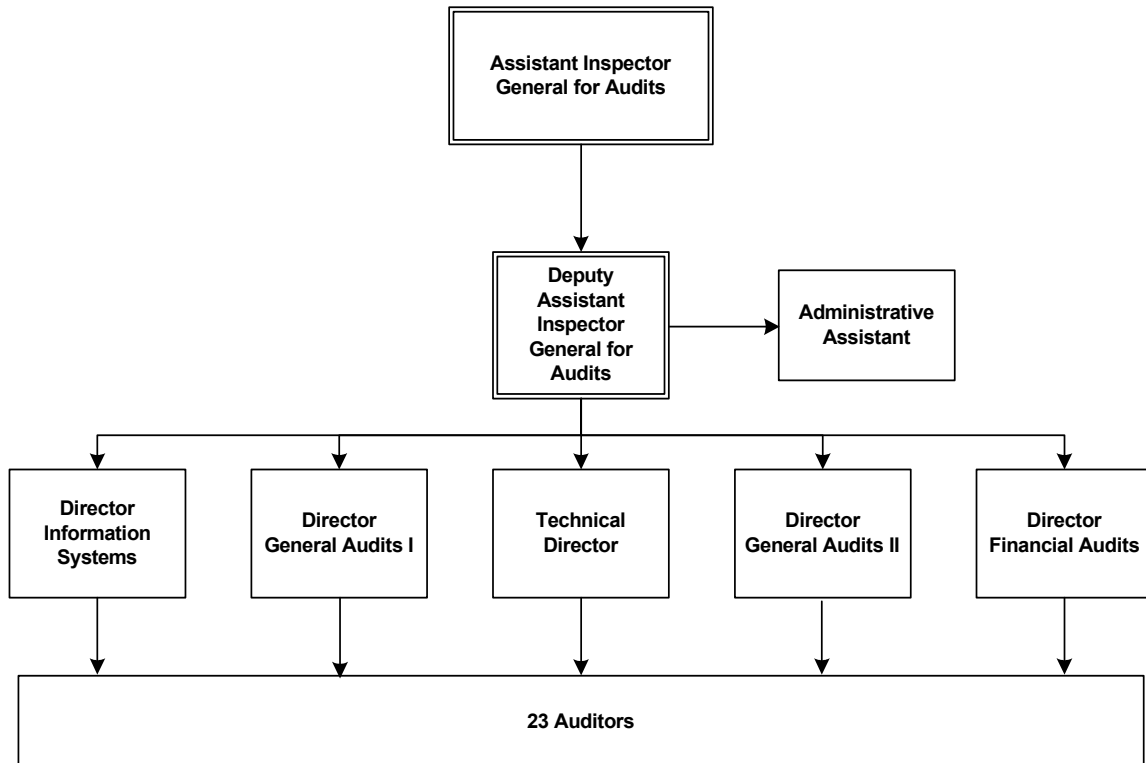
## ACTIVITIES OF THE AUDIT DIVISION

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### ORGANIZATION

The OIG Audit Division, comprised of a staff of 31 professionals, is headed by an Assistant Inspector General for Audits (AIGA), a Deputy AIGA, and 5 Directors. The AIGA sets policy and, through the Deputy AIGA, provides leadership and direction for the Division. The Directors manage the day-to-day projects and activities of the auditors. The audit directorates are: (1) Information Systems; (2) General Audits I; (3) Technical; (4) General Audits II; and (5) Financial Audits.

#### OIG Audit Division September 30, 2003



The Audit Division is responsible for conducting audits of District organizations, programs, functions, and activities. These audits complement other elements of management evaluations and are aimed at providing reliable and constructive recommendations for improved administration of operations. Audits provide management with an independent appraisal of whether desired results and objectives are achieved efficiently, economically, and in accordance with prescribed laws, regulations, policies, and procedures. Key elements of our audits are the independence of the OIG

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## **ACTIVITIES OF THE AUDIT DIVISION**

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from the management of such programs and the OIG's responsibility to report to District management and other stakeholders the results of such audits.

The Division is staffed to perform the full spectrum of engagements, i.e., financial, attestation, and performance audits. Financial audits assess whether the financial statements of an entity are presented fairly, in all material respects, in conformity with generally accepted accounting principles. Attestation audits or engagements concern examining, reviewing, or performing agreed-upon procedures on a subject matter or assertion. Performance audits entail an objective and systematic examination of evidence to provide an independent assessment of a program or entity and typically assess program results and/or the entity protecting or using its resources in the most productive manner. The purpose of performance audits is to improve accountability and to facilitate effective decision-making.

### **CREDENTIALS AND QUALIFICATIONS**

Auditors possess a 4-year degree from an accredited college or university. Additionally, many of our auditors hold advanced degrees and certifications, including the following:

- Certified Public Accountant
- Masters Degree in Business Administration
- Masters Degree in Public Administration
- Certified Internal Auditor
- Certified Fraud Examiner
- Certified Government Financial Manager
- Certified Information System Auditor
- Certified Inspector General

### **PROFESSIONAL ASSOCIATIONS AND ORGANIZATIONS**

The OIG has joined a number of professional organizations to enhance audit performance by broadening the audit staff's perspective through educational and professional associations with the National Association of Local Government Auditors (NALGA) and the Association of Inspectors General. Likewise, members of our staff are active in professional organizations such as the American Institute of Certified Public Accountants, Association of Government Accountants, National Association of Local Government Auditors, National Association of Certified Fraud Examiners, Information Systems Audit and Control Association, Association of Inspectors General, and Institute of Internal Auditors.

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## ACTIVITIES OF THE AUDIT DIVISION

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The OIG has been recognized in publications issued by NALGA and the Association of Inspectors General. For example, in the March 2003 of the Local Government Auditing Quarterly, NALGA recognized our report on *Rent Collections in the District of Columbia Government*.

### AUDITOR TRAINING

To ensure its auditors meet qualification requirements of generally accepted government auditing standards, the Audit Division requires each auditor to complete 80 hours of continuing professional education every 2 years and no fewer than 20 hours in any 1 calendar year. Training typically received by the OIG's audit staff includes the following subjects: procurement and contract administration; finding development and report writing; introductory auditor training; auditing internal controls; and information systems auditing.

Periodically, we have guest speakers address our auditors on accounting and auditing topics so that we may stay current on all pertinent issues. We also conduct in-house training sessions, allowing us to take advantage of our own expertise, and promoting the sharing of ideas, audit approaches, and methodologies to address various issues within District agencies.

### AUDIT PEER REVIEW

In April 2000, when the Office of the Inspector General Powers and Duties Amendment Act of 1999 (D.C. Law 13-71) became effective, the OIG's enabling statute was amended to reflect the mandatory requirement that the OIG comply with generally accepted government auditing standards with respect to the performance of an external quality control review (peer review). A peer review is generally conducted by individuals in a similarly situated professional environment. To accomplish mandatory peer reviews of federal inspectors general, the President's Council on Integrity and Efficiency (PCIE) provides for each of the inspector general audit organizations (Federal Audit Executive Committee) to have a round-robin of peer reviews every 3 years.

To meet the District requirement, the OIG joined NALGA. Government Auditing Standards, 1994 Revision, identifies NALGA as one of the professional organizations that meets the requirements for performing our peer review. On February 27, 2003, representatives from NALGA completed a peer review of the OIG's Audit Division. The Audit Division received an unqualified opinion from the peer review team. The peer review covered the period January 1, 2002, through December 31, 2002.

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## ACTIVITIES OF THE AUDIT DIVISION

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A companion management letter of the same date noted areas where this Office excelled and also included suggested improvements that will increase the value of this Office. Specifically, the report showed that the OIG Audit Division has a competent, qualified, and experienced staff and that its Audit Handbook thoroughly addressed policies and procedures. In addition, it was noted that the audit work was documented in a comprehensive and well-organized manner and that we had established an extensive and effective quality assurance function.

### CONTINUATION OF LIAISON ACTIVITY

Pursuant to the statutory mandate contained in D.C. Code § 2-302.08(a)(3)(B) and (C) (2001), the OIG is required to act as liaison representative to external organizations conducting audits of the District of Columbia government. The PCIE is aware of this requirement and has asked member organizations to notify this Office of any planned or future audits in the District. As a result, federal inspector general organizations and the General Accounting Office (GAO) have coordinated their work with the OIG.

In order to prevent duplication of effort, and reduce any learning curve, we continually coordinate audit efforts with the GAO, the District of Columbia Auditor, and federal inspector general offices.

### THE COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR)

The OIG contracts for an independent auditor to conduct a financial audit of the District's CAFR. The accounting firm of KPMG, LLP (KPMG), was the independent auditor for the FY 2002 CAFR and will be conducting the audit of the FY 2003 CAFR.

**FY 2002 CAFR.** KPMG issued an *Independent Auditors' Report*, on January 24, 2003, which stated:

In our opinion, the financial statements [contained in the CAFR] . . . present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the District, as of September 30, 2002, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general and federal and private resources funds for the year then ended in

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## ACTIVITIES OF THE AUDIT DIVISION

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conformity with accounting principles generally accepted in the United States of America.

With the issuance of the FY 2002 CAFR, the city has received its sixth consecutive unqualified opinion on its financial statements. This CAFR was also issued ahead of its due date of February 1, 2002, which we perceive to be an indication that the District's CAFR process has matured into an effective, if not routine, process.

On April 14, 2003, the OIG provided KPMG's FY 2002 Management Letter, which is a companion document to the *Independent Auditors' Report*. The Management Letter also includes reportable conditions from KPMG's *Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards* and also management letter comments associated with observations made during the September 30, 2001, Single Audit.

The Management Letter identified two material weaknesses (1) Health Care Safety Net Administration Contract Management, and (2) District Medicaid Provider Accounting and Financial Reporting. Conditions not considered as material weaknesses that were classified as reportable conditions include: Human Resource/Payroll Process Management, Monitoring of Expenditures Against Open Procurements, and Disability Compensation Claims Management. The District is making progress in eliminating previously identified material and nonmaterial conditions because few conditions are repeated from prior years. Nonetheless, reported conditions warrant management attention.

**CAFR Oversight Committee.** To oversee the CAFR, the OIG established the Comprehensive Annual Financial Report Oversight Committee (Committee). A charter identifying the Committee's purpose, composition, meeting schedule, and responsibilities governs the Committee, which assists the OIG in fulfilling its oversight responsibility by overseeing the progress of the audit and addressing any issues that may arise from the audit or may prevent the audit from being completed timely. The Committee's purposes include: (1) monitoring the reliability and integrity of the Office of the Chief Financial Officer's (OCFO) financial reporting process and systems of internal controls regarding finance, accounting, and legal compliance; (2) monitoring the independence and performance of the District's independent auditors (Auditors); and (3) providing an open avenue of communication among the Auditors, executive Office of the Mayor, Council of the District of Columbia (Council), OCFO, and other District management officials.

The Committee is comprised of District officials, who are independent of the OCFO, and who are free of any relationship that, in the opinion of the OIG, would interfere with their exercise of independent judgment as committee members. For example, the Committee



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## ACTIVITIES OF THE AUDIT DIVISION

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is comprised of at least two representatives each from the OIG, the Council, and the Executive Office of the Mayor. The Committee also invites representatives from the GAO, as well as CFO representatives, to attend select meetings, as appropriate. The Committee also holds an annual kickoff conference at the onset of the annual financial audit to establish audit milestones and set expectations for the current year's audit. This year, the kickoff conference was held on September 4, 2003. The annual kickoff conference is also intended to bring together the independent auditors, District financial personnel, OIG auditors, key District leadership, and Council members so that all personnel involved are focused on common District goals to produce an accurate and timely CAFR. The support of the Council members and District leadership is critical to achieving those goals. Guest speakers at this year's conference included Dr. Natwar Gandhi, the District's CFO; Anthony Pompa, the Deputy CFO; Councilman Vincent B. Orange, Sr.; Jeff Coudriet, Representing D.C. Councilmember Jack Evans; and Arte Blitzstein, representing Chairman Linda Cropp of the Council of the District of Columbia.

### AUDIT STANDARDS

The Comptroller General of the United States issued the 2003 Revision to Government Auditing Standards (the yellow book), which is effective for financial audits and attestation engagements of periods ending on or after January 1, 2004, and for performance audits beginning on or after January 1, 2004. The General Accounting Office classified the major changes from the 1994 version as those that:

1. define the types of audits and their respective standards;
2. provide for consistent application of generally accepted governing auditing standards where applicable; and
3. strengthen standards and provide clarifications.

The Audit Division has taken into account these changes for FY 2004 audits and started incorporating necessary changes into process and quality controls of the Audit Division.

### AUDIT PERFORMANCE MEASURES TO EVALUATE PROGRESS

With regard to our audit performance and productivity standards, we currently report on the number of reports issued, District agency coverage, and the associated potential monetary benefits for the audit reports issued. We also track audit recommendations so that we can assess the progress of corrective actions. The Comptroller General's Government Auditing Standards emphasize the importance of follow-up on significant findings and recommendations from prior audits to determine if corrective actions have

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## ACTIVITIES OF THE AUDIT DIVISION

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been implemented. Audit recommendations do not produce the desired outcomes unless they are implemented. Moreover, we will continue to work toward process improvements in measuring our productivity and performance. In this regard, we added a performance standard to measure the percentage of audit recommendations implemented. We strongly believe that this will be a valid measure of our contributions because it is an outcome measure. In FY 2002, the OIG conducted an audit of past recommendations made at District agencies. The results of this audit were used to establish the baseline. At the completion of our first audit, the audit recommendation implementation rate for District agencies was 80 percent. This audit will be conducted on a triennial basis. The next audit is scheduled to be completed in FY 2005.

In addition, we have adopted performance measures similar to those used by federal inspector general organizations. Accordingly, benefits derived from our audits are set forth in Appendix A, using quantitative as well as qualitative measures, as appropriate. In our reports, monetary benefits are categorized as either "Funds Put to Better Use" or as "Questioned Costs." Funds Put to Better Use are funds that could be used more efficiently should management implement the recommendations. This category includes deobligation of funds from programs or operations and savings that result from implementation of recommended improvements. Questioned Costs are incurred costs questioned because of an apparent violation of a law, regulation, contract, or grant governing the expenditure of funds.

### SUMMARY OF POTENTIAL BENEFITS RESULTING FROM AUDITS

For FY 2003, we issued 37 reports with potential monetary benefits exceeding \$48 million. These benefits compare to Audit Division costs of approximately \$2.7 million. Accordingly, the return on investment for audits performed by OIG audit staff has been approximately \$18 for each dollar invested.

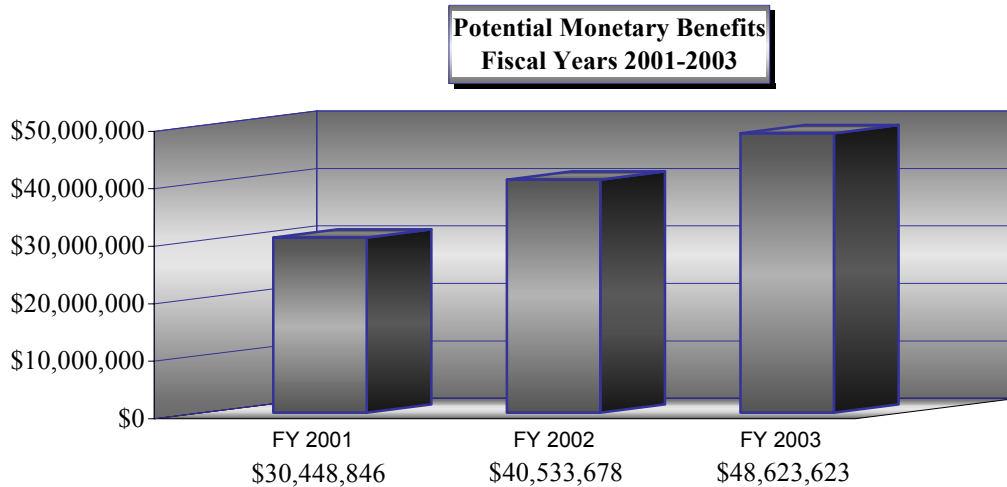
To more readily identify and report potential benefits, the OIG includes a schedule in each audit report that identifies potential benefits resulting from the audit. The schedule identifies the corresponding benefit by recommendation, a description of the identified benefit, and type of benefit. We believe this schedule synthesizes the essence of each recommendation and presents it in a clear concise manner that is easily understood. The benefits of each recommendation are described as economy and efficiency, internal control and compliance, or program results. The type of benefit is reported as either monetary or nonmonetary.

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## ACTIVITIES OF THE AUDIT DIVISION

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The following chart compares the monetary benefits that this Division identified in the previous 3 fiscal years.



### FISCAL YEAR 2003 OPEN AUDIT RECOMMENDATIONS

For FY 2003, the Audit Division issued 37 final reports with a combined total of 162 recommendations, of which, 32 are considered to be open as of September 30, 2003. As these reports have been recently issued, we plan to conduct follow-up reviews in subsequent reporting periods at these agencies and work in conjunction with the Executive Office of the Mayor to ensure that actions are taken to address recommendations made. Refer to Appendix B for details.

### ONGOING INITIATIVES

The OIG and the Office of Risk Management are exploring better methods and processes to coordinate the tracking of audit recommendations. This effort should lead to more efficient processes to provide greater awareness to the District leadership of the status of recommendations, particularly of recommendations for which action to correct deficiencies has not been completed or remains unresolved.

### AUDIT AGENCY/OFFICE COVERAGE

The Audit Division issued 37 final reports that included, 6 Management Alert Reports (MARs) and 4 Management Implication Report (MIR) for FY 2003. Audits performed were conducted as part of our FY 2003 Audit and Inspection Plan or because of emerging issues requiring our immediate attention. Our audit reports to agency heads

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## ACTIVITIES OF THE AUDIT DIVISION

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recommended corrective actions which were necessary to improve operations, address noted deficiencies, and ensure that agencies were in compliance with prescribed regulations, policies, procedures, and standards. Upon the issuance of our final reports, agencies described actions they had taken or planned to take to address our recommendations. The 37 reports involved the following 23 District government agencies/offices:

### FY 2003 Agency/Office Coverage

- |  |   |
|--|---|
| 1. Consumer and Regulatory Affairs                 | 12. Office of Contracting and Procurement     |
| 2. Department of Corrections                       | 13. Office of Finance and Resource Management |
| 3. Department of Health                            | 14. Office of Personnel                       |
| 4. Department of Housing and Community Development | 15. Office of Property Management             |
| 5. Department of Human Services                    | 16. Office of the Chief Financial Officer     |
| 6. Department of Mental Health                     | a. Office of Tax and Revenue                  |
| 7. Department of Public Works                      | b. Office of Financial Operations and Systems |
| 8. District of Columbia Housing Authority          | c. Office of Finance and Treasury             |
| 9. District of Columbia Public Schools             | 17. Office of the Chief Technology Officer    |
| 10. District Department of Transportation          | 18. Office of the Corporation Counsel         |
| 11. Fire and Emergency Medical Services            | 19. Office on Aging                           |
|  | 20. Office of the Mayor                       |

Additionally, the OIG accumulates cost data related to performing audits. Cost data for audits completed in FY 2003 are shown in Appendix B.

### SUMMARIES OF AUDIT REPORTS ISSUED

#### **1. Audit of the Health Care Safety Net Contract, OIG No. 02-1-02HC, 10/4/2002.**

The report contained two findings. First, we found that the Department of Health (DOH) did not maintain the proper level of contract oversight of the Health Care Safety Net Contract because positions necessary to oversee the contract were not filled. We also determined that the contract appeared to be over-funded. Consequently, there was a possibility that as much as \$10 million may be reduced from annual funding for this contract and put to better use.

Second, we found that individuals enrolled in the health care program were not properly screened for program eligibility because procedures to verify enrollment information were not always followed and there was limited oversight to ensure that this important function was properly completed. We also found that approximately \$289,000 in medical

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## ACTIVITIES OF THE AUDIT DIVISION

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charges was incurred by the hospital center for members who were actually covered by other insurance. Further, about 2,600 members who were enrolled in the health care program were using invalid Social Security numbers. Forty of those invalid numbers matched the Social Security numbers of deceased individuals.

### **Corrective Actions**

We directed 11 recommendations to the DOH that focused on such issues as requiring the contractor to fill oversight positions with qualified personnel; reviewing consultant contractor billings for excessive travel and other costs and recovering overcharges; reviewing and adjusting contract terms to reflect accurate estimations of service levels and Hotline support services; reducing surplus contract funding; training enrollment specialists in the enrollment process; establishing procedures for ascertaining the Medicaid status of patients, and reviewing enrollment rolls for recertification of eligibility requirements.

### **2. Audit of Rent Collections in the District of Columbia Government, OIG No. 01-1-26MA, 10/29/2002.**

Our audit found that the Office of Property Management (OPM) management controls over the administration process for outleases (lease of District owned space) were incomplete, lacking the basic processes needed to ensure the overall integrity of program and fiscal activities. Lines of accountability were not clearly established, documentation was nonexistent in many instances, and written policies and procedures were outdated. OPM also did not effectively coordinate the reconciliation of rent collections with the Office of Finance and Resource Management (OFRM). Additionally, prior audit recommendations made to correct some of these and other deficiencies were not implemented. The deficiencies noted in the lease administration program placed the District of Columbia at risk of loss of revenue and increased the potential for adverse litigation.

### **Corrective Actions**

We directed 12 recommendations to OPM; 2 recommendations to OFRM; and 1 recommendation to both agencies. The recommendations, in part, center on:

- establishing and implementing policies for outlease administration;
- developing a formal tracking system that ensures that the recommendations contained in this audit and prior reviews are implemented;
- improving oversight of tenant outleases by reviewing all tenant leases and initiating adjustments to reflect increases in rent;
- collecting rental revenue by applying past rent increases to outleases;

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## ACTIVITIES OF THE AUDIT DIVISION

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- improving oversight of tenant outleases by reviewing outlease files to ensure tenant insurance requirements are met;
- establishing policies for restricting access to lease record/documentation;
- OPM and OFRM developing a Memorandum of Understanding setting forth the procedures for coordinating the monthly reconciliation of the rent collections; and
- OPM and OFRM developing policy and procedures for the processing and accounting of outlease tenant security deposits.

### **3. Final Audit Certification, Federal Payment for the Washington Interfaith Network, OIG No. 02-1-19WIN, 11/27/2002.**

Based on the results of our audit, we certified that the matching funds received and costs incurred by the Washington Interfaith Network (WIN) for pre-construction activities carried out at the former Fort Dupont Dwellings and Additions met the requirements for reimbursement as outlined in Pub. L. Nos. 106-522 and 107-96.

### **4. Audit of the Home Purchase Assistance Program for the Years Ended September 30, 2000, 1999, and 1998, OIG No. 02-1-14DB, 12/16/2002.**

The Independent Auditor's Report expressed an unqualified opinion on the financial statements for the periods under review. Additionally, the audit identified a reportable condition involving internal control over financial reporting that is considered to be a material weakness. A management letter was also prepared which contained comments and recommendations we believe will improve the Department of Housing and Community Development's (DHCD) management of both the Home Purchase Assistance Fund and Program. The management letter does not modify the auditor's opinion as expressed in the Independent Auditor's Report.

### **Corrective Actions**

We recommended that management include the recording of general ledger activity in the design of their internal controls, including the recording of mortgage receivable balances. We also recommended that DHCD establish a policy to conduct on-site reviews of the loan servicer on at least a semi-annual basis. Further, we recommended that DHCD request a SAS 70 report from its loan servicer to provide further assurance of the operating effectiveness of the loan servicer's controls. Finally, we requested that DHCD continue to focus on resolving findings from the fiscal Year (FY) 1997 audit, which were repeated in FY's 1998, 1999, and 2000.

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## ACTIVITIES OF THE AUDIT DIVISION

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### **5. Comprehensive Annual Financial Report for the year ended September 30 2002, OIG No. 03-1-20MA, 1/27/2003.**

We contracted with the accounting firm of KPMG, LLP, to perform a financial statement audit and prepare the District's FY 2002 Comprehensive Annual Financial Report (CAFR). The audit reported an unqualified opinion, meaning that the District's general-purpose financial statements were fairly presented in accordance with generally accepted accounting principles. With the issuance of the FY 2002 CAFR, the District has received its sixth consecutive unqualified opinion on its financial statements.

### **6. Audit of the District of Columbia Highway Trust Fund, OIG No. 02/1/18KA, 1/31/2003.**

Our audit determined that the financial statements presented fairly, in all material respects, in conformity with generally accepted accounting principles, the Fund's assets and liabilities as of September 30, 2002, and its revenues, expenditures, and changes in fund balance for the year then ended.

We did not find any major issues of internal control weaknesses or non-compliance with regulations that we consider material during our fiscal year 2002 audit.

### **7. Audit of the District of Columbia Housing Authority's Monitoring of HOPE VI Projects, OIG No. 01-2-25PH(a), 2/14/2003.**

The District of Columbia Housing Authority (DCHA) did not always effectively or efficiently manage and monitor the HOPE VI projects. Private contractors and/or developers who provided redevelopment services under contract with DCHA did not always adhere to contract terms and conditions. Furthermore, DCHA did not fully comply with the requirements of the HOPE VI Grant Agreements. Overall, the proposed redevelopment of public housing in the District of Columbia is not occurring within established time frames. Although DCHA has been awarded more than \$110 million since 1993 for 7 grants (4 redevelopment and 3 demolition projects), only 1 of the 4 major redevelopment projects was close to completion. We also noted that the HOPE VI projects were not being completed within established time frames because DCHA had not established an organized project management and oversight system.

### **Corrective Actions**

We directed eight recommendations to DCHA. The recommendations center, in part, on: (1) developing and implementing written policies and procedures to ensure that projects are routinely and continuously monitored; (2) developing a standard monitoring report to document contractors' accomplishments and to measure progress against established

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## ACTIVITIES OF THE AUDIT DIVISION

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goals and deadlines; (3) developing an organized project management and oversight system that will ensure projects are completed within the required time frame; (4) taking action to complete and close out the projects in accordance with grant provisions; and (5) obtaining all contract deliverables from the contractors (i.e., Joint Venture Milestones and Construction Progress Report.)

### **8. Audit of the District of Columbia Child Support Enforcement System, OIG No. 01-1-11CB(a), 4/1/2003.**

The report contained six findings. The Child Support Enforcement Division (CSED) of the Office of Corporation Counsel (OCC) did not develop long and short-term strategic plans for the Child Support Enforcement System (CSES). CSED did not perform an operational and technological feasibility assessment or risk assessment for CSES and failed to assess alternative solutions or perform cost-benefit analyses. Further, CSED had not implemented adequate controls and processes to ensure timely distribution of about \$3.0 million in undistributed collections to child support recipients. We also determined that CSED did not adequately administer or oversee the information technology (IT) contract for CSES. The agency failed to ensure that the IT contractor delivered three critical contract deliverables, including essential software changes, training plans, and system documentation. Not meeting Federally imposed certification requirements could risk penalties in excess of \$1.4 million.

In addition, CSED did not ensure that its IT personnel received adequate initial and refresher training or practical hands-on experience to provide adequate oversight of the CSES contract. Moreover, CSED failed to void the computer access of former agency personnel to CSES and did not review and confirm system access rights, or otherwise limit system access as appropriate. Lastly, the Superior Court and CSED were not in compliance with the law requiring that the two maintain a current cooperative agreement.

### **Corrective Actions**

We directed 18 recommendations to the OCC to correct certain deficiencies and other problems noted in the report. We made 2 recommendations to assist in the strategic planning process and 15 recommendations to improve the distribution of undistributed collections, contract oversight, employee training, and system security administration. We also directed one recommendation to OCC to update the cooperative agreement between CSED and the District of Columbia Superior Court.



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## ACTIVITIES OF THE AUDIT DIVISION

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### **9. Independent Accountant's Report on Applying Agreed-Upon Procedures to the National Railroad Passenger Corporation (Amtrak) Corporate Labor Additive Rates for the Years Ended September 30 1998 and 1997, OIG No. 03-2-10KV, 4/2/2003.**

This audit was conducted by contract under the purview of the OIG. The independent auditor performed limited tests of records to support rates used for labor, material handling, and general and administrative costs for 1997 or 1998. Amtrak used the audited rates for fiscal year 1996 to recover reimbursable costs incurred in fiscal years 1998 and 1997 without obtaining approval from the State Highway Administration and the Federal Highway Administration. The results of tests performed found that there were no significant differences between the total expenses used to compute the audited rates for fiscal year 1996 and the total expense and cost pools for fiscal years 1997 and 1998. As such, the auditors did not identify anything that would determine that the use of the previous year's rates was not justified.

#### **Corrective Actions**

The audit report contained three recommendations made to the Acting Controller of Amtrak Corporation, including recommendations to provide a rationale for using FY 1996 rates in lieu of computing new rates, review the billing process to identify how inconsistent rates were applied and establish new procedures for charging and applying approved rates, and identify any excess reimbursements received due to application of FY 1996 rates for the period FYs 1997-1998.

### **10. Audit of Background Investigations for Information Technology Personnel, OIG No. 03-2-1MA, 4/14/2003.**

With the exception of police and fire/emergency personnel, the District of Columbia did not perform comprehensive background investigations on IT employees or contractor employees prior to employment. In many industry sectors and federal government agencies, it is virtually common practice to require that prospective employees undergo some form of background investigation, especially for those positions that give access to IT systems and sensitive data. COBIT-Control Objectives for Information Technology provides the industry standard for this requirement.

#### **Corrective Actions**

We directed a recommendation to the District of Columbia Office of Personnel to designate which IT positions require background investigations and a second recommendation, which was jointly directed to the Office of Contracting and Procurement and to the Office of the Chief Technology Officer, to develop policies and

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## ACTIVITIES OF THE AUDIT DIVISION

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procedures concerning several aspects of the background investigation process as it applies to District as well as contractor employees working on IT systems.

### **11. District of Columbia Management Letter September 30 2002, OIG No. 03-1-15MA, 4/14/2003.**

Our analysis of the District of Columbia Management Letter for FY 2002 prepared by KPMG, LLP showed that the District continues to make progress, but challenges remain. The Management Letter's principal comments relate to material weaknesses and other reportable conditions affecting the District's financial management infrastructure. Material weaknesses in internal control discussed in the Management Letter addressed the following issues:

- Management of the Health Care Safety Net Administration contract
- District Medicaid provider accounting and financial reporting
- Human resource/payroll process management
- Monitoring of expenditures against open procurements
- Disability compensation claims management

### **Corrective Actions**

KPMG made 11 recommendations for correcting material weaknesses and other reportable conditions noted. While the OIG will continue to assess the District agencies' implementation of recommendations, it is the responsibility of District government management to ensure that agencies correct the deficiencies noted in audit reports. The OIG will work with managers, as appropriate, to help them monitor the implementation of recommendations.

### **12. Audit of the District of Columbia Housing Authority's Contract Management and Record Keeping for HOPE VI Projects, OIG No. 01-2-25PH(b), 4/21/2003.**

We found that DCHA did not fully comply with applicable program rules and regulations for awarding contracts to developers or contractors for HOPE VI projects. DCHA failed to obtain prior written approval to use the force account program (in-house labor) for modernization activities at the Fort Dupont/Stoddert Terrace demolition project rather than obtaining these services from private contractors by use of competitive procurement procedures. Furthermore, the Fort Dupont/ Stoddert Terrace project is not finished and the completed work was not done in accordance with DCHA's original plans that were approved by the U.S. Department of Housing and Community Development (HUD). Since 1998, \$1.9 million (in total) of HOPE VI grant funds have been spent by DCHA on this project, yet the project remains incomplete.

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## ACTIVITIES OF THE AUDIT DIVISION

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In addition, based on concerns about ethics practices in the contractor selection process for the East Capitol Dwellings/Capitol View Plaza redevelopment project, we interviewed DCHA officials about DCHA's ethics program. We found that DCHA lacked ethics policies and procedures, particularly regarding ethics training for senior managers. Finally, we found that DCHA needed to improve its record maintenance procedures. DCHA did not always have required records available and could not readily provide certain documents during our review.

### **Corrective Actions**

As a result of our audit, we directed five recommendations to DCHA including recommendations for establishing policies and procedures for requiring ethics training for all executives and senior managers and a requirement for preparation of a cost-benefit analysis prior to initiating the use of in-house labor on any HOPE VI project.

### **13. Report on the Examination of the District of Columbia's Highway Trust Fund Forecast Statements for Fiscal Years 2003 - 2007 with Actual Audited Figures for FY 2002, OIG No. 02-1-18KA, 5/30/2003.**

Our examination included a review of existing internal controls for the purpose of expressing an opinion on the accompanying forecasted statements. In our opinion, the forecasted statements referred to above are presented in conformity with guidelines for presentation of forecasted information established by the American Institute of Certified Public Accountants. The underlying assumptions made and methodologies used to develop the statements provide a reasonable basis for the 5-year forecast.

### **14. Audit of Unusual Incident Reporting Procedures at The District of Columbia Department of Mental Health, OIG No. 01-1-06RM(c), 6/19/2003.**

The Department of Mental Health (DMH) did not always effectively fulfill its oversight responsibilities for the reporting of unusual incidents. More than 500 unusual incident reports were sent to DMH from several sources. Reports included incidents such as suicides, patient abuse, sexual assaults, deaths from specified and unspecified causes, and many other types of incidents. Not all incident reports were of such serious import and involved incidents such as patient fights or verbal abuse. While we recognize that the newly created DMH began operating in April 2001, we found little evidence that DMH performed investigations or took action to follow-up on all reports of serious unusual incidents. Further, DMH did not request additional information on reported incidents, although many reports indicated a need for assistance, intervention, or follow-up actions, and many resulted in tragic outcomes.

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## ACTIVITIES OF THE AUDIT DIVISION

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Additionally, DMH needed to improve its procedures and controls to provide the extra security necessary for civilly committed and mentally ill patients. We also found that DMH procedures for reviewing and approving mortality reviews are not current. Further, autopsy reports and death certificates, which were needed to determine the cause of death in compliance with regulations, were seldom obtained.

### **Corrective Actions**

We directed 14 recommendations to DMH to improve the policies and procedures for managing reports of unusual incidents and its procedures and controls over the security of Saint Elizabeths Hospital patients. In part, our recommendations included the creation of an oversight committee to monitor management of unusual incident reports, development of performance standards for the DMH Office of Accountability, creation of a computerized data base to document and track all unusual incident reports, and development of procedures to ensure all patient deaths are investigated and mortality review reports are prepared timely.

### **15. District Department of Transportation Highway Trust Fund Management Letter for the Year Ended September 30 2002, OIG No. 02-1-18KA(a), 7/16/2003.**

We found that accounting activity for the newly created Local Roads Construction and Maintenance Fund (LRCMF) was improperly recorded in the accounting fund structure for the dedicated Highway Trust Fund (HTF). Also, the Office of the Chief Financial Officer (OCFO) and the District of Columbia Department of Transportation (DDOT) did not reconcile Investment Account balances of the HTF on a regular basis to the monthly ending balance in the District's financial management system, the System of Accounting and Reporting (SOAR). During our bank reconciliation process, we identified that interest earnings had not been transferred out of the pooled cash account, into the investment account as required.

Accounts receivable balances, amounting to \$11.7 million over a 2-year period, were due to the HTF from the District of Columbia Water and Sewer Authority (WASA) and have remained uncollected for more than 2 years. WASA officials have acknowledged that these amounts are due, but believed that payment does not need to be made until a Memorandum of Understanding has been signed by all three parties involved.

### **Corrective Actions**

We directed five recommendations to OCFO and to DDOT that we believe will improve the financial management of the HTF. Included were recommendations to establish a separate account for LRCMF funds, process the necessary journal entries to reflect proper

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## ACTIVITIES OF THE AUDIT DIVISION

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accounting for interest earnings and elimination of duplicate entries, and to reconcile the HTF investment account statement balances with the SOAR.

### **16. District of Columbia Public Schools' Budgetary Comparison Schedule Governmental Funds and Supplemental Information September 30, 2002 (With Independent Auditor's Report Thereon), OIG No. 03-1-16GA, 7/24/2003.**

Our independent auditor opined that this report presents fairly, in all material respects, the financial position of the DCPS as of September 30, 2002.

### **17. Audit of the District of Columbia Public Schools' Central Investment Fund and Expedited Purchasing System, OIG No. 03-2-12GA, 7/29/2003.**

We found the allegations concerning the balances in the Central Investment Fund (CIF) and imprest fund accounts to be unsubstantiated. We obtained independent confirmations from the financial institutions of the balances in these accounts as of the date the referral was made to the OIG. The confirmations found that monies were not depleted as alleged. Further, we tested a sample of transactions made during fiscal year 2003 and verified that funds were generally used for intended and authorized purposes. We also reviewed the policies and procedures at DCPS to ensure that controls were in place, and operating as designed, to prevent and/or detect fraud, waste, and abuse of funds.

### **18. Audit of Software Licensing, OIG No. 02-1-5TO(a), 8/5/2003.**

Information reviewed at the Office of the Chief Technology Officer (OCTO) showed that District agencies used approximately 51,696 copies of computer software in violation of software licensing agreements. Our tests showed that of the 70,923 copies of software used by 26 District agencies, only 19,227 were authorized licensed copies. The inappropriate use of unlicensed software created a potential \$8.6 million financial liability for the District and the possibility of civil damages.

### **Corrective Actions**

We directed two recommendations to the City Administrator to require District agencies to conduct software inventories for compliance with requisite software licensing agreements, and to require District agencies to replace unlicensed software with properly purchased and licensed software. We also addressed two recommendations to OCTO to promptly implement policies prohibiting use of unlicensed software, and promote agency awareness of the necessity for using only properly acquired and licensed software on agency computers.

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## ACTIVITIES OF THE AUDIT DIVISION

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### **19. Report on Hotline Complaints at The District of Columbia Department of Mental Health, OIG No. 02-2-17RM, 8/13/2003.**

The original OIG Hotline complaint contained seven allegations. We substantiated three of the allegations, partially substantiated one allegation, two allegations were unsubstantiated, and one allegation remained unresolved at the time the final report was issued. As stated in the allegations, we confirmed that an employee received a salary while placed on unsupported administrative leave for a 16-month period; a senior official worked an unauthorized compressed work-week; and government resources were used to sponsor an “invitation only” party that excluded hospital patients. We partially substantiated the allegation that a physician improperly earned and was paid overtime.

#### **Corrective Actions**

We directed eight recommendations to DMH, including recommendations to provide time and attendance training to supervisors, ensure appropriate documentation and written approvals are obtained prior to authorizing administrative leave, comply with District personnel regulations regarding adherence to flextime prohibitions, and use appropriate funds to reimburse Medicaid and grant funds used for unauthorized purposes.

### **20. Audit of the Homeless Shelter Program, OIG No. 01-1-12JA, 8/26/2003.**

Our audit disclosed that management at the Department of Human Services (DHS) needed to improve the tracking and use of funds, the monitoring and payment of valid expenses, the submission of annual audit reports, and safety and fire hazard measures at homeless shelters. Additionally, our review showed that DHS did not always expend funds for their intended purposes. Our follow-up tests on a report issued by the Inspector General, U.S. Department of Housing and Urban Development, also showed that Department of Human Services officials did not ensure that the organization responsible for the homeless shelter program implemented agreed-to recommendations to improve timely submission of annual audit reports.

#### **Corrective Actions**

We directed 17 recommendations to DHS centering, in part, on improving the tracking and use of funds, monitoring and paying valid expenses, submitting annual audit reports, and increasing safety at Homeless Shelters.

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## ACTIVITIES OF THE AUDIT DIVISION

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### **21. Audit of Procurement Activities by the Office of Contracting and Procurement for the Department of Consumer and Regulatory Affairs, OIG No. 02-1-3MA(a), 8/27/2003.**

From March 1999 through April 2002, the Department of Consumer and Regulatory Affairs (DCRA) expended over \$4 million for nuisance abatement services but did not make awards to the lowest bidders who responded to requests for quotations for these services. Instead, DCRA program personnel, who issued the requests for quotations for nuisance abatement services, set the same price for every vendor based on quotations received, historical costs, and government estimates. In addition, actions to issue multiple small purchase awards equal to the limit of \$25,000 violated the District's procurement laws against splitting, parceling, or dividing awards.

#### **Corrective Actions**

We addressed five recommendations to OCP, and DCRA, including, in part, a requirement that supervisory personnel conduct periodic reviews of contract actions processed by agency-based procurement personnel; program personnel cease setting the same price for nuisance abatement service providers and make the procurement awards within existing regulations and authority; contracting officers prepare determinations and findings for sole source procurement awards; and OCP hold workshops for agency program and administrative personnel regarding agency procurement planning, sole source procurements, and District procurement law and regulations.

### **22. Department of Consumer and Regulatory Affairs Professional Engineers' Fund Financial Statement Audit for the Six Months Ended September 30, 2001, OIG No. 03-1-09CR(a), 8/27/2003.**

**And**

### **23. Department of Consumer and Regulatory Affairs Professional Engineers' Fund Financial Statement Audit for the Fiscal Year Ended September 30 2002, OIG No. 03-1-09CR(b), 8/27/2003.**

These two audits were conducted by contract under the purview of the OIG. The results disclosed that the financial statements presented fairly, in all material respects, the financial position of the fund as of September 30, 2002, and September 30, 2001, and the results of its operations and cash flows for the fiscal year ended September 30, 2002, and the fiscal year ended September 30, 2001, in conformity with generally accepted accounting principles.

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## ACTIVITIES OF THE AUDIT DIVISION

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### **Corrective Actions**

We recommended, in both reports, that the Chief Financial Officer establish the necessary general ledger accounts for the Professional Engineering Fund and properly record the activity of the Professional Engineering Fund in the System of Accounting and Reporting (SOAR).

### **24. Audit of the District of Columbia's Housing Authority's Financial Management of Hope VI Grant Funds, OIG No. 01-2-25PH(c), 9/9/2003.**

An analysis of bank statements and accounting records revealed that DCHA did not separately account for HOPE VI grant funds and instead, commingled HOPE VI grant funds with other types of funds. DCHA did not have a system of record keeping that would separately account for HOPE VI program expenditures. Further, DCHA did not maintain documentation to support 45 percent (\$13.2 million) of the payments made to contractors/developers for the Wheeler Creek HOPE VI building project. We also questioned an additional \$1.4 million in payments made to the contractors and developers because documentation available at DCHA did not support the payments.

### **Corrective Actions**

We made five recommendations to DCHA, including recommendations to maintain separate accounts for HOPE VI funds as required by grant requirements, develop and implement an accounting system to separately tract HOPE VI project costs, obtain documentation to support disbursements made to contractors/developers for the Wheeler Creek HOPE VI Revitalization Project, develop and implement policies and procedures that require contractors/developers to provide documentation to support requests for payment, and the source of funds disbursed for each building project.

### **25. Office of the Corporation Counsel Antifraud Fund Financial Statement Audit for the Fiscal Year Ended September 30 2002, OIG No. 03-1-7CB, 9/22/2003.**

In our opinion, the financial statements were found to present fairly, in all material respects, the net assets of the Antifraud Fund as of September 30, 2002, and the results of its operations, changes in net assets, and cash flows for the year ended September 30, 2002, in conformity with generally accepted accounting principles.



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## ACTIVITIES OF THE AUDIT DIVISION

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### **26. District of Columbia Public Schools' Reportable Conditions in Internal Control Over Financial Reporting and Management Letter Comments for the Year Ended September 30 2002, OIG No. 03-1-16(b), 9/29/2003.**

Our independent auditor opined that this report presents fairly, in all material respects, the financial position of the DCPS as of September 30, 2002. During the audit, the independent auditor noted two reportable conditions involving internal control over financial reporting. The issues included (1) the difficulty DCPS had in obtaining encounter data needed to obtain a Medicaid reimbursement for special education students, and (2) inadequate internal controls, policies and processes for employee compensation and benefits. In addition, the DCPS management letter addressed problems with a lack of operating lease disclosures, inadequate compliance with guiding principles for operating the Central Investment Fund, misstatement of prior year encumbrances, failure to delete certain fixed asset amounts from the general ledger, failing to retain certain proof of purchase invoices for tested capital improvement projects, and several other observations.

#### **Corrective Actions**

The report included two recommendations regarding the reportable conditions and eight recommendations for conditions noted in the management letter.

### **27. Use of Homeland Security Funds at the District of Columbia Public Schools, OIG No. 03-2-24GA, 9/30/2003.**

We found that, to date, DCPS has lost the use of approximately \$4.5 million in homeland security funds because DCPS was unable to identify in a timely manner a use for the funds and obligate these monies. According to Executive Office of the Mayor officials, the District was able to put these funds to use at other agencies prior to their expiration on September 30, 2003.

#### **Corrective Actions**

We directed two recommendations to the Superintendent of DCPS. These were to identify appropriate uses for any remaining and useable homeland security funds and to evaluate the DCPS processes for developing and implementing spending plans, monitoring use, and reporting the use of homeland security funds.

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## ACTIVITIES OF THE AUDIT DIVISION

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### SUMMARIES OF MANAGEMENT ALERT REPORTS ISSUED

#### **1. Notification to Suspend All Future Cash Disbursements to the Union Temple Community Development Corporation, MAR 03-A-01, 4/16/2003.**

This Management Alert Report informed the Department of Housing and Community Development (DHCD) of the interim results of the review of the master project files and other related documents for Grant No. 2002-50, the Walter E. Washington Community Center project. Our review showed that the disbursements of Community Development Block Grant (CDBG) funds to the Union Temple Community Development Corporation (UTCDC) were not properly supported. Vendor invoices submitted to support the disbursements of \$1.3 million were not always identified with the cost incurred for the project.

Accordingly, we recommended that DHCD immediately suspend all future cash disbursements to the UTCDC pursuant to Grant Agreement No. 2002-50. We also recommended that DHCD should initiate action, as appropriate, to recover all CDBG funds disbursed to UTCDC without proper supporting documents.

#### **2. Office on Aging, MAR 03-A-02, 5/16/2003.**

This Management Alert Report informed the Office on Aging that the Senior Citizens' Counseling and Delivery Service (SCCDS) could not provide documentation to support claims for reimbursement for certain services. We found that approximately 90 percent of payments for counseling services and congregate meals made by the Office on Aging to SCCDS during the period October 1 to December 31, 2002, were not supported by adequate documentation. We recommended that the Office on Aging recover, as appropriate, all funds paid to SCCDS for claims unsupported by adequate documentation and reimburse SCCDS only for claims that are adequately supported.

#### **3. Unlicensed Software, MAR 03-A-04, 5/30/2003.**

This Management Alert Report was issued to advise the Office of the Chief Technology Officer (OCTO) that District agencies were using copies of computer software in violation of software licensing agreements. We obtained documentation from OCTO that indicated that District agencies were using approximately 51,696 copies of software in violation of software licensing agreements. This situation presented a potential \$8.6 million financial liability for the District. In order to address this issue, OCTO security developed draft software acquisition standards that cover pirated and other illegal uses of software. We recommended that OCTO finalize its draft guidance on software acquisition standards and inform District agency officials and their employees that unauthorized use and installation of unlicensed software is prohibited.

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## ACTIVITIES OF THE AUDIT DIVISION

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### **4. Correctional Treatment Facility, MAR 03-A-03, 6/24/2003.**

This Management Alert Report advised the Department of Corrections (DOC) that the contractor for the Correctional Treatment Facility (CTF) did not always follow the contract requirements for screening applicants. Specifically, the contractor hired employees to work at the CTF prior to the completion of the employees' background investigations and drug test screenings. Our judgmental sample of 37 out of 320 employee records showed that 27 employees did not have a background investigation completed before they began working at the CTF and 16 employees apparently did not undergo required drug test screening.. We recommended that the DOC monitor the CTF contractor to ensure that contractor employees have undergone background investigations and drug test screening prior to employment.

### **5. Forfeitures-401(a) Defined Contribution Plan, MAR 03-A-05, 7/16/2003.**

This Management Alert Report advised the Office of Finance and Treasury (OFT) that it incorrectly accumulated about \$27 million in forfeited contributions from the Plan. We attribute the accumulation of forfeited fund contributions to OFT's misunderstanding of the complex Internal Revenue regulations that apply to defined contribution plans for government entities. We alerted OFT of the remaining funding budgeted in FY 2003 for new contributions, as much as \$4.2 million, may be immediately reallocated to other purposes, if otherwise permitted by District law. The balance of the \$27 million in forfeitures and new forfeitures should offset contributions in FY 2004 and subsequent years. We recommended that OFT offset contributions to allow for immediate monetary benefits to the District for FY 2003 and future years.

### **6. Use of Homeland Security Funds at the District of Columbia Public Schools, MAR 03-A-06, 8/13/2003.**

The Federal government appropriated a payment of \$156 million to the District of Columbia for Homeland Security-related expenses that were to expire on September 30, 2003. This Management Alert Report informed the District of Columbia Public Schools (DCPS) management about the identification of approximately \$6.3 million of Homeland Security funds that may be available for increased facility security at DCPS. We directed two recommendations to DCPS to identify expeditiously appropriate uses for any remaining FY 2003 Homeland Security funds and to evaluate the planning, use and reporting processes for these funds.

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## ACTIVITIES OF THE AUDIT DIVISION

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### SUMMARY OF MANAGEMENT IMPLICATION REPORTS ISSUED

#### **1. Security and Controls of District Checking Accounts, MIR 03-A-01, 10/10/2002.**

The purpose of this Management Implication Report was to advise District executives and managers of the results of our research into the security and control of District government checking accounts. Our review was performed in response to a D.C. Council member's concern about a recent case involving an embezzlement by a high-ranking District official and the weak controls over the District government checking accounts. In response to these concerns, our review found that the District Chief Financial Officer (CFO) took prompt action to implement effective measures to prevent future checking account embezzlements. The CFO issued policies to all agencies to implement specific internal controls governing check writing operations, dual-signature safeguards, segregation of duties, and strict limits on the use of check-signature stamps. In addition, all agency bank accounts would be subjected to unannounced CFO audits.

#### **2. Medicaid Program, MIR 03-A-02, 11/20/2002.**

The purpose of this Management Implication Report was to encourage District executives and managers to remain focused on improving the Medicaid Program in the District of Columbia. Dating back to at least FY 1999, annual expenditures have approximated \$1 billion for the Medicaid Program (about 20 percent of General Fund expenditures), which services 130,000 District residents.

The OIG has previously issued Medicaid-related reports; however, managers may not be fully aware of reports issued in the last 3 years by the independent auditor of the District's Comprehensive Annual Financial Report (CAFR) and the GAO, which have also surfaced areas of concern regarding the Medicaid Program. While the Office of the Inspector General (OIG) was aware of recent ongoing improvements and initiatives, this MIR emphasized our concerns in order to encourage consistent focus by the responsible agencies, managers, and legislative committees.

This Management Implication Report encourages District managers to continue to improve the District's Medicaid Program by taking timely actions to reduce costs, eliminate waste, share costs appropriately with the federal government through appropriate documentation and support of transactions, and provide services only to persons eligible for participation in the Program.

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## ACTIVITIES OF THE AUDIT DIVISION

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### **3. Master Lease Contract, MIR 03-A-03, 8/20/2003.**

The purpose of this Management Implication Report was to advise of the need for an analysis of alternatives to the District's Master Lease Contract and that management has agreed to consider alternatives. Although the specific issue of the Master Lease Program is not relevant to all District managers, the concept of analyzing funding options for large procurements should always be considered to ensure that the District uses the most cost-effective funding mechanism.

The Master Lease Contract (Contract) is currently in its third year and will terminate on March 30, 2004. The District awarded the Contract in the amount of approximately \$75 million. The Office of Finance and Treasury (OFT) manages the Contract and, at the onset of our review, was working on a Request for Proposal (RFP) with the objective of issuing a subsequent contract starting in fiscal year 2004. It is estimated that the new contract term could be 5 years, at a cost of as much as \$100 million. Given the increased economic strength of the District and the relatively low interest rates available in financial markets, OFT officials have agreed that before awarding the next contract, it would be timely and prudent to consider all available funding resources that could reduce costs.

### **4. Unpaid Invoices from the General Services Administration, MIR 03-A-04, 8/20/2003.**

The purpose of this Management Implication Report was to advise District management of long standing overdue invoices for supplies and equipment purchased from the General Services Administration (GSA) and late payments by the District of Columbia government (District). Additionally, we addressed measures that have already been taken to improve the conditions cited in this report and to encourage managers to continue working to eliminate these conditions permanently.

As of October 26, 2000, the District owed over \$16.5 million to the GSA of which, approximately \$6.1 million was for supplies and equipment. A review of unpaid invoices for supplies and equipment as of July 31, 2003, showed that the District owed \$4.7 million to GSA with invoices overdue from 45 days to 2,060 days. In response to this problem, the District formed a Vendor Information Committee under the leadership of the OFT. Its primary mission is to address the payment process and propose solutions to resolve payment problems with GSA.

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**ACTIVITIES OF THE INSPECTIONS  
AND EVALUATIONS DIVISION**

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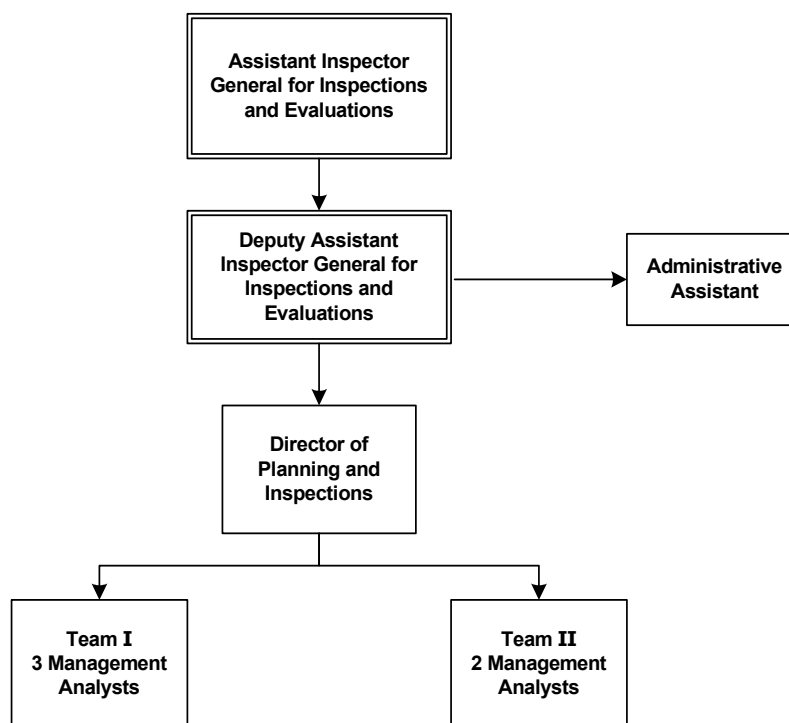
## ACTIVITIES OF THE INSPECTIONS AND EVALUATIONS DIVISION

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### ORGANIZATION AND MISSION

The Inspections and Evaluations Division (I&E) is managed by an Assistant Inspector General (AIG), a Deputy Assistant Inspector General (DAIG), and the Director of Planning and Inspections (P&I). The AIG sets policy and, through the DAIG, provides leadership and direction to the Division. The Director of P&I manages inspection and evaluation activities both in the field and at OIG headquarters, and oversees the day-to-day administrative activities in the Division.

#### OIG Inspections and Evaluations Division September 30, 2003



I&E is responsible for conducting inspections of District government agencies and programs. An OIG inspection is a process that evaluates, reviews, and analyzes the management, programs, and activities of a District department or agency in order to provide information and recommendations that will assist managers in improving the operations of an organization, program, policy, or procedure. The objectives of inspections include providing senior managers with an independent source of factual and analytical information about vital operations, measuring performance, assessing efficiency, and effectiveness; identifying areas of mismanagement, fraud, waste, and abuse; and



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## **ACTIVITIES OF THE INSPECTIONS AND EVALUATIONS DIVISION**

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monitoring agency compliance with the Inspector General's recommendations. Inspection results are published in a Report of Inspection (ROI) and in Management Alert Reports (MAR). The OIG provides a MAR when the Inspector General believes that a matter surfaced during an inspection requires the immediate attention of the head of an agency or department. The findings developed during inspections may lead to recommendations for investigations or audits.

### **CREDENTIALS AND QUALIFICATIONS**

The Inspections and Evaluations Division has five inspectors and an administrative assistant. All inspectors have 4-year degrees from an accredited college or university and, in most instances, a graduate degree related to management analysis or public administration. Senior inspectors must have significant experience working in or with state or federal governments as inspectors, management analysts, or managers. Upon entering on duty, new inspectors receive both formal refresher training as well as specific on-the-job training in the analysis and evaluation of organizations and their management.

I&E Division inspectors adhere to the standards for OIG inspections and evaluations promulgated by the President's Council on Integrity and Efficiency, as well as to the standards mandated by the Inspector General of the District of Columbia.

### **PERFORMANCE MEASURES USED TO EVALUATE PROGRESS**

The number of recommendations made, the degree of agency compliance with agreed-upon recommendations, and subsequent improvements in agency operations as determined through re-inspections are clear indicators of the effectiveness of the overall performance of the OIG inspection program. The results of the Inspections and Evaluations Performance Measures are reported in Appendix C.

### **COMPLIANCE AND FOLLOW-UP INSPECTIONS**

The I&E Division monitors agency compliance with recommendations that have been approved by the Inspector General and agreed to by the inspected agency. Upon receipt of the inspection report, an agency is asked to establish a time line for acting upon and completing all recommendations made in the report. The I&E Compliance Inspector will track an agency's progress until all recommendations have been complied with. Agencies are asked to submit documentation on each recommendation in the inspection report that explains the action taken by the agency to comply. These submissions are reviewed in line with the intent of the findings and recommendations in the inspection report, and when the Compliance Inspector perceives discrepancies, the agency is

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## **ACTIVITIES OF THE INSPECTIONS AND EVALUATIONS DIVISION**

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contacted so that the matter can be resolved satisfactorily. In addition, re-inspections are scheduled so that inspectors can verify agency compliance with agreed-upon recommendations.

### **FISCAL YEAR 2004 INSPECTION PLAN**

The FY 2004 Inspection Plan, issued in combination with the FY 2004 Audit Plan, in August 2003, is consistent with the Mayor's initiative to review, evaluate, and improve performance standards in all components of the District of Columbia Government. The Division will complete its ongoing inspection of the Department of Human Services/Youth Services Administration, and will re-inspect the Fire and emergency Medical Services Department, the Department of Parks and Recreation, the Department of Public Works/Fleet Management Administration, the Department of Public Works/Solid Waste Management Administration, and the Department of Public Works/Parking Services Administration.

### **SUMMARIES OF REPORTS ISSUED**

In FY 2003, the I&E Division issued six reports of inspection, 3 reports of re-inspection, 2 special reports, and 6 Management Alert Reports (MARs), with a total of 136 findings and 394 recommendations. Inspections can take from 3 months to a year, depending on the size of an agency, the complexity of the issues, and the inspection resources available. Recommendations were made to agency and department heads that called for corrective measures to improve operations, address deficiencies, and ensure that District and federal laws, regulations, and policies are followed. Cost and recommendation status for the reports issued during FY 2003 are reported in Appendix D.

#### **1. Department of Corrections/Central Detention Facility Report of Inspection - 02-0002FL, October 2002.**

The inspection of the Department of Corrections (DOC)/Central Detention Facility (CDF), resulted in 32 findings and 55 recommendations. The inspection team found previously reported health and safety violations unabated, including poor housekeeping, poor facility maintenance, and vermin contamination. The facility also lacked an emergency evacuation plan. Inmate records were poorly managed, files were missing, the computer system contained inaccurate information, and unqualified employees were working in the records office. In addition, case managers were not counseling inmates, and worked without basic resources such as file cabinets and computer access. The inspection team also found that the DOC Halfway House was overcrowded and had security problems.

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## ACTIVITIES OF THE INSPECTIONS AND EVALUATIONS DIVISION

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### **2. Fire and Emergency Medical Services Department - Report of Inspection 03-0001FB, October 2002.**

The inspection of Fire and Emergency Medical Services (FEMS) focused on operational areas that affect FEMS response time to critical medical emergencies. The report contains 16 findings and 30 recommendations. The inspection team (team) found that FEMS units were not meeting some national response time standards because of delays in handling emergency calls in the Communications Division and in the dispatch process. The team did find that response units arrived on scene quickly after being dispatched. The inspection also found that some District residents abuse the 911 Call System by using 911 for non-emergencies; the number of paramedics needed to respond to emergencies was inadequate; and some paramedics did not have up-to-date professional certifications.

### **3. Department of Health/Addiction Prevention and Recovery Administration - Management Alert Report 03-I-001, October 17, 2002.**

The Director of the Department of Health (DOH) was informed that the Addiction Prevention and Recovery Administration (APRA) had not submitted the paperwork necessary to be reimbursed for all of the services it provides that are covered under the federal Medicaid Program. At the time, APRA was only requesting reimbursement from Medicaid for services provided at 3 of the 37 substance abuse treatment facilities it oversees. Consequently, District funds that could have been available for additional or enhanced services or for other purposes were not recouped.

**Recommendation:** That the Director ensure that the appropriate documents are submitted to obtain Medicaid provider numbers and reimbursement for all substance abuse treatment facilities and programs that DOH oversees.

### **4. Department of Consumer and Regulatory Affairs and the District of Columbia Public Schools - Management Alert Report 03-I-002, January 28, 2003.**

During our inspection of the Office of the Chief Medical Examiner (OCME), inspectors observed students from Ballou Senior High School playing across the street from the school in a vacant, unsecured building in which a body was found. The building had broken doors and windows that allowed easy access, cracked and peeling paint that may have been lead-based, exposed wiring, and other physical hazards. The inspectors alerted the Department of Consumer and Regulatory Affairs (DCRA) and D.C. Public School (DCPS) authorities of the potential danger to students.

**Recommendations:** That the Director of DCRA take the steps necessary to secure property and prevent access by the public; and that the Superintendent of Public Schools

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## ACTIVITIES OF THE INSPECTIONS AND EVALUATIONS DIVISION

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warn students about the dangers at the location and take measures to prevent them from attempting to enter the property.

### **5. Office of the Chief Medical Examiner - Management Alert Report 03-I-003, January 31, 2003.**

The team inspecting the Office of the Chief Medical Examiner (OCME) observed what appeared to be numerous safety and health issues at the OCME facility on the D.C. General Hospital campus. Because there were no District laws or regulations relating directly to maintenance and safety in OCME facilities, the inspection team (team) referenced standards established by the National Association of Medical Examiners (NAME). The team found that the elevator used by employees and visitors had an unpleasant odor emanating directly from the autopsy suite and body cooler area; body fluids from stored bodies routinely collected on the floor of the cooler and were not draining properly; and several employees were not wearing protective masks in areas where body fluids were present.

**Recommendations:** That the Chief Medical Examiner (CME) request an inspection of the OCME facility by the District's Office of Occupational Safety and Health to determine if there are hazards to employees and visitors; and that the CME require all employees to wear protective masks in areas where they may be exposed to body fluids.

### **6. Department of Health/Health Regulation Administration - Report of Inspection 03-0002HC, January 2003.**

The inspection of the Department of Health (DOH)/Health Regulation Administration (HRA) produced 18 findings and 25 recommendations regarding the regulation and inspection of childcare facilities, nursing homes, residential care facilities, and licensing of healthcare professionals. The inspection team (team) found that contrary to District law, criminal background checks of childcare facility operators and employees were not being conducted. There was no requirement that childcare facilities be inspected to ensure that they remain free of lead-based paint contaminants, and HRA inspectors were establishing operating standards arbitrarily. The team found that there were no District regulations that governed nursing home operations; they were not being re-inspected to ensure that cited deficiencies had been corrected; and nursing home owners were not conducting background checks on unlicensed personnel as required by District law. The team also found that healthcare professionals' license applications were not processed expeditiously, and the slow process for verifying existing licenses harmed the careers and business affairs of some professionals.

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## ACTIVITIES OF THE INSPECTIONS AND EVALUATIONS DIVISION

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### **7. Department of Motor Vehicles - Management Alert Report 03-I-004, March 4, 2003.**

During the re-inspection of the Department of Motor Vehicles (DMV), inspectors observed that the DMV lacked a uniform policy on handling questionable or clearly fraudulent documents submitted by customers, including identification and immigration documents. Some DMV facilities retained suspicious documents, while others denied service and returned them to the customer.

**Recommendations:** That the Director of DMV develop and implement clear policies and procedures regarding the receipt and disposition of fraudulent or suspicious documents; and that the Director of DMV ensure that employees are trained to identify fraudulent documents presented by customers.

### **8. Department of Health/Addiction Prevention and Recovery Administration - Report of Inspection 03-0005HC, April 2003.**

The inspection team (team) found significant deficiencies in all inspected areas of the Addiction Prevention and Recovery Administration (APRA). It reported 20 findings and made 29 recommendations in the areas of certification of treatment facilities, intake and assessment operations, detoxification services, prevention programs, Medicaid reimbursement, and patient billing. The team found that the majority of substance abuse treatment facilities under APRA's oversight had not been certified as required by District law, and no fines or penalties had been assessed against these operations. Significant health and safety hazards were found at the Detoxification Center on the D.C. General Hospital campus, and follow-up services were not being provided for discharged patients. The inspection also found that APRA was not billing and collecting fees for services provided to patients who were financially able to pay.

### **9. Office of the Chief Medical Examiner, Incident Report on the Death of Deborah Wilson, April 2003.**

The media reported that a Mortuary Unit technician from the OCME commented to a colleague that a woman, Deborah Wilson, declared by Fire and Emergency Medical Service paramedics to be deceased, may have been alive as they prepared to transport her body to the OCME mortuary. Once Wilson's body reached the mortuary, two medical examiners thought they felt a pulse in Wilson's body, even though there were signs of rigor mortis. The Inspector General directed an IG team already on site in OCME conducting an inspection to evaluate this incident in order to address the speculation and concerns that developed as a result of these reports. The team found that the preponderance of the evidence indicated that Wilson was dead when she was examined in her apartment and, therefore, dead when she was examined in OCME. In addition, a preponderance of the evidence indicated that all actions taken and procedures followed

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## ACTIVITIES OF THE INSPECTIONS AND EVALUATIONS DIVISION

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by Fire and Emergency Medical Services and Metropolitan Police Department personnel were appropriate.

### **10. Department of Health/Medical Assistance Administration - Report of Re-inspection 03-0012HC, June 2003.**

The re-inspection of the Medical Assistance Administration (MAA) was a follow-up to the findings and recommendations issued in the initial inspection that took place from February to April 2000. MAA administers the federal Medicaid program for the District. The inspection team (team) found that 35 of the original 45 recommendations were in full compliance, 3 were in partial compliance, and 7 were considered to be not in compliance. The team found that \$13 million of \$34.7 million found in the initial inspection to have been erroneously paid to providers because of errors in the MAA computer system had been reimbursed by the computer contractor. MAA was not in compliance with federal regulations regarding training and employing sub-professionals and volunteers who work in the Medicaid program. The Surveillance and Utilization Review (SUR) Unit, established to detect fraud and abuse, was found to lack sufficient staff to be effective. In addition, the SUR Unit had no written policies governing the terms and conditions of repayments when providers have been overpaid, and its computer system is outdated and inefficient. MAA made progress in accounting for pending payment claims, and in significantly reducing out-of-state claims that were being resubmitted improperly.

### **11. Department of Motor Vehicles Inspection Station - Report of Re-inspection 03-0003KV, June 2003.**

The re-inspection of the Department of Motor Vehicles Inspection Station (DMVIS) found significant improvements had taken place since the initial inspection in August 2000, which produced 33 recommendations. DMVIS had complied fully with 26 of those recommendations; 2 were in partial compliance, and 5 had not been complied with. The re-inspection team found that DMVIS continued to have staff retention problems that sometimes contribute to long customer wait lines. In almost all other areas, however, the team found operational improvements and greater efficiency, such as special lanes for senior citizens, improvements in emission testing procedures, limitations on the number of free inspections allowed, the addition of bilingual inspectors, increased physical security to protect employees and customers, greater dissemination of public information about the vehicle inspection process, and reminders to citizens alerting them to impending renewal dates for inspection stickers.

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## ACTIVITIES OF THE INSPECTIONS AND EVALUATIONS DIVISION

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### **12. Office of the Chief Medical Examiner—Management Alert Report 03-I-05, July 11, 2003.**

The team observed safety and health hazards in the use of x-ray equipment used by OCME employees. The team found that OCME was not properly monitoring employee exposure to radiation despite a monitoring system set up with a contractor that cost \$1000 per month. OCME was not sending employee radiation monitoring badges to the contractor so they could be read and evaluated for overexposure; badges were not stored properly in the OCME building; and there were no policies and procedures for the use of either the radiation equipment or for the radiation exposure monitoring process. The team also found that OCME's x-ray equipment had not been inspected and retested as required by District law.

**Recommendations:** That the CME have affected employees tested for possible overexposure to radiation because of the inadequate monitoring and evaluation of badge readings; that the CME have all x-ray equipment inspected and certified as safe; that the CME ensure that monthly radiation monitoring of employees is carried out rigorously; and that the CME provide training and written policies and procedures for employees who operate x-ray equipment and who use and store radiation monitoring badges.

### **13. Department of Health/Environmental Health Administration - Report of Inspection 03-006HC, August 2003**

The mission of the Department of Health (DOH)/Environmental Health Administration (EHA) is to prevent and control diseases, and to protect and preserve the ecological system and physical environment of the District. The inspection produced 9 findings and made 11 recommendations in the areas of food, drug, and radiation protection; and hazardous materials and toxic substances. The team found that EHA was not inspecting x-ray machines in medical facilities throughout the city as required by District law. The Food Protection Division did not have updated listings of District food establishments that require periodic inspections. Employee shortages in the Pharmaceutical Control Division delayed inspections of city pharmacies, and insufficient staffing prevented timely annual inspections of hazardous waste generators. The team did find that the Underground Storage Tank Division surpassed the Mayor's FY 2001 scorecard goal of conducting 100 inspections. The Division received an award from the federal Environmental Protection Agency for outstanding achievement for excellence.

### **14. Office of the Chief Medical Examiner - Report of Inspection 03-0011CM, September 2003.**

The inspection of the OCME was a comprehensive evaluation of both the management and operations of the office charged with investigating and certifying all deaths in the

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## ACTIVITIES OF THE INSPECTIONS AND EVALUATIONS DIVISION

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District that occur by violence; that occur unexpectedly or in the absence of medical attention; that occur in custody; and those that pose a threat to public health. The report contains 41 findings and 74 recommendations. The key findings noted that: long-standing operational and personnel management problems were continuing under the current CME; OCME had not been accredited by any nationally recognized professional organization; there was a significant backlog in autopsies; the storage of unreleased bodies dating back to the year 2000 violated District regulations and created unsanitary conditions; procedures for autopsies and postmortem examinations were not adequate or standardized; the Histology Laboratory was closed because of dangerous chemical fumes; the CME's relationship with the Child Fatality Review Committee was marred by problems; and staffing was inadequate in key operational areas. The CME resigned from his position in September 2003.

### **15. Office of the Chief Medical Examiner - Special Report: How OCME Handled the Autopsy of Sniper Victim Pascal Charlot, 03-0011CM-A, September 2003.**

At the request of a City Council member, we reviewed the Office of the Chief Medical Examiner's (OCME) handling of the autopsy of Pascal Charlot. Charlot was shot to death on October 3, 2002, during the series of shootings in the Washington D.C. area by an unidentified sniper. Allegations were made that because the CME failed to conduct an autopsy the night of Charlot's death as requested by the Metropolitan Police Department in order to retrieve ballistics evidence, his inaction delayed for 12 to 16 hours the determination that Charlot was a victim of the sniper. A question was also raised about the accuracy of the CME's responses to the Council member during a budget hearing in which he was questioned about this incident. The CME argued that OCME is not staffed to perform after-hours autopsies, and that the autopsy on Charlot was given priority the morning after the shooting. We could not conclude that the CME's decision concerning the timing of the autopsy was unreasonable or that he created an unnecessary delay in starting the autopsy. We also could not conclude that the CME provided false information or intended to mislead the Council member during his testimony on the incident.

### **16. Department of Motor Vehicles - Report of Re-inspection 03-0013KV, September 2003.**

The re-inspection of the DMV was a follow-up to the initial inspection conducted between September and December 1999 and which produced 92 recommendations for improving operations and services. The team found that 63 of those recommendations were in full compliance, 2 were in partial compliance, 26 had not been complied with, and 1 was overtaken by events. In the area of management and supervision, the team found that even though training and developmental opportunities had improved for DMV managers, the agency was not compliant with recommendations to upgrade position



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## ACTIVITIES OF THE INSPECTIONS AND EVALUATIONS DIVISION

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descriptions and develop a means to evaluate accurately management performance. In addition, internal and external communication processes and procedures remained deficient and action on correspondence suffered inordinate delays. On a more positive note, DMV had made significant improvements in its Customer Services Administration and was found to be in compliance with most of the key recommendations made in 1999.

**17. Department of Human Services/Youth Services Administration/Oak Hill  
Detention Center - Management Alert Report 03-I-007, September 12, 2003.**

The inspection of the Department of Human Services/Youth Services Administration (YSA)/Oak Hill Detention Center revealed that YSA vehicles in the Oak Hill motor pool had expired inspection stickers and were operated by employees in violation of District law. In addition, many vehicles had not had semiannual preventive maintenance checks required by Department of Public Works regulations. Inspectors also found that a number of YSA employees were operating government vehicles without having provided proof of both a valid state drivers license and a valid D.C. Government Motor Vehicle Driver Identification Card.

**Recommendations:** That the YSA Administrator ensure that all vehicles are properly inspected and maintained; that all vehicle operators maintain valid state and D.C. government driver's licenses; and that employees do not drive un-inspected vehicles.

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## **ACTIVITIES OF THE INVESTIGATIONS DIVISION**

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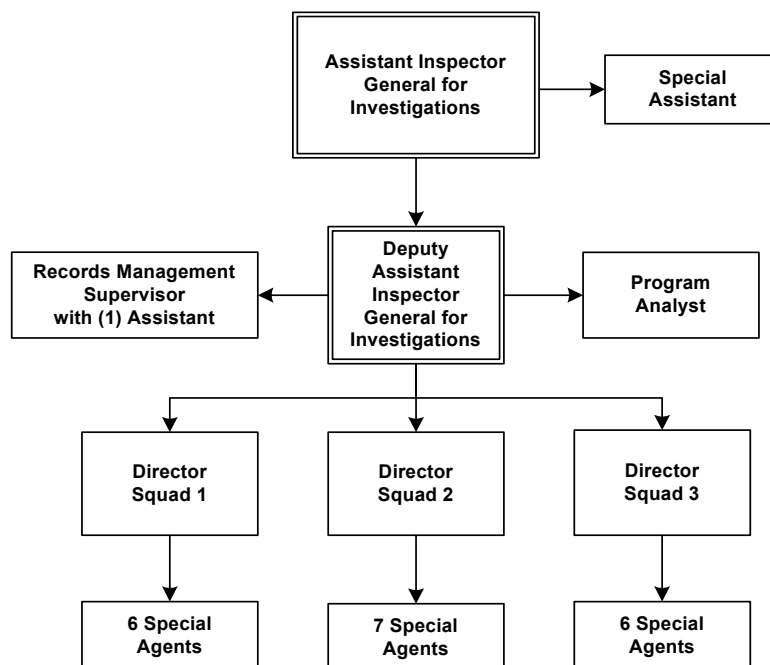
## ACTIVITIES OF THE INVESTIGATIONS DIVISION

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### ORGANIZATION

The day-to-day operation of the Investigations Division (ID) is the responsibility of the Assistant Inspector General for Investigations (AIGI), who supervises a management team that consists of a Deputy AIGI and three Directors. Each Director is responsible for a team of Special Agents who are assigned both administrative and criminal investigations concerning District government operations, District government employees, and those doing business with the District government. The Records Management Supervisor provides organization and accountability for the various records systems of the OIG. This supervisor reports directly to the Deputy AIGI. The Program Analyst is responsible for the effective operation of the Hotline Program and for the Referral Program.

**OIG Investigations Division  
September 30, 2003**



The ID is comprised of 28 employees, including 5 managerial/supervisory personnel, 19 Special Agents, 1 Special Assistant, and 3 support staff members. OIG Special Agents are sworn law enforcement officers and are required to possess a 4-year degree from an accredited college or university; many of our Special Agents hold advanced degrees and professional certifications. Newly hired Special Agents are required to attend and successfully complete a 10-week basic training course at the Federal Law Enforcement Training Academy, Glynco, Georgia. They are also required to meet the firearm

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## ACTIVITIES OF THE INVESTIGATIONS DIVISION

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qualification standards of both the Federal Bureau of Investigation (FBI) and the Metropolitan Police Department (MPD). ID staff includes former investigators and managers from law enforcement agencies, such as the FBI, the Drug Enforcement Administration, the U.S. Secret Service, federal OIGs, and major police departments. Special Agents are authorized to carry firearms during the performance of official duty, make arrests in limited situations, execute search warrants, and administer oaths.

### RESPONSIBILITIES

The ID is responsible for conducting criminal and administrative investigations into allegations of waste, fraud, and abuse on the part of District government employees and contractors. In addition, the ID conducts investigations of District government employee conduct alleged to violate of the Standards of Conduct. When investigative findings solely indicate non-criminal employee misconduct or management deficiencies, Reports of Investigations (ROIs) are prepared and forwarded to the responsible agency heads. These administrative investigations typically uncover violations of District law, policy, and/or regulations. They also identify the individuals responsible for the violations and make recommendations for disciplinary action. Equally important to the investigative process, however, is the identification of program weaknesses, contracting irregularities, and other institutional problems that place a District government agency at risk for waste, fraud, and abuse. Therefore, the ROIs frequently make concrete recommendations to correct the identified deficiencies, provide guidance on the applicable laws and regulations, and suggest employee training where appropriate.

When the investigative findings are indicative of criminal conduct, they are presented to either the United States Attorney's Office (USAO) for the District of Columbia or the Office of Corporation Counsel (OCC) for prosecutorial opinion and action. When a case is accepted by either entity for prosecutorial consideration, the investigation will proceed under the guidance and direction of the prosecutors and often in conjunction with other law enforcement partners, such as the FBI. The investigative findings are also used to determine whether civil action is appropriate in addition to or in lieu of criminal prosecution.

The Records Management Unit (Unit) is responsible for maintaining the investigative files of the ID and for coordinating the development and retention of all OIG files in accordance with District law and policy. The Unit is also responsible for maintaining the chain-of-custody for all evidence and for protecting the identity of matters subject to the Grand Jury secrecy provisions of Rule 6(e) of the Federal Rules of Criminal Procedure. In addition, the Unit works closely with the OIG's General Counsel to identify and produce documents requested pursuant to the District of Columbia Freedom of Information Act. Consequently, the Unit is also responsible for maintaining a comprehensive database of ID investigative information and a formal case file system

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## ACTIVITIES OF THE INVESTIGATIONS DIVISION

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that allows the ID to locate all investigative information through the identity of complainants, subjects, and critical witnesses.

The Referral Program is an important adjunct to the investigative work of the ID and allows the OIG to be responsive to citizen complaints of waste, fraud, and abuse. Complaints and allegations received by the OIG that do not warrant formal investigation by the ID are referred to the appropriate District or other government agency for consideration and resolution. In most cases, the responsible agency head is requested to respond to the ID's questions and concerns. Based on the adequacy of the response, the ID determines whether further investigation is warranted. The Referral Program is an invaluable mechanism by which the OIG is able to inquire of District government agency heads in order to ensure that they are accountable to citizen concerns and responsive to the public interest.

The Hotline Program is an equally important component of the ID whereby the OIG is available 24 hours a day to receive telephonic complaints from District government employees and the general public. OIG investigative personnel are on duty every working day during normal business hours to respond to telephonic complaints. All complaints received during non-business hours are recorded and an appropriate response is initiated the next workday.

### PERFORMANCE MEASURES TO EVALUATE PROGRESS

Performance measures within the Investigations Division are set by the Inspector General to assess progress toward resolving identified risks. Appendix E compares actual FY 2003 performance with target goals. While these measures are termed "performance measures," the OIG exerts no management control over many of the measures in that we cannot control the number or the content of the complaints we receive during the fiscal year.

### INVESTIGATIVE WORKLOAD AND PRIORITIES

At the start of FY 2003, the OIG had 210 pending investigations. A total of 401 new investigative complaints was received during FY 2003. Of those 401 matters, 128 were opened as formal investigations, 168 were referred to agency heads for action, and 105 were closed without further action (or placed in the "Zero" file).

Each Special Agent retains an average caseload of between 15 to 20 formal investigations. This is an exceptionally high workload in comparison to federal Inspector General Offices and other law enforcement agencies that investigate public corruption

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## ACTIVITIES OF THE INVESTIGATIONS DIVISION

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and government fraud. Consequently, the ID is required to prioritize the use of its strained investigative resources. Priority investigations include the following:

- Matters referred from the Executive Office of the Mayor (EOM), D.C. Council, and Congress.
- Allegations of serious criminal activity on the part of District government employees involving government fraud and public corruption.
- Allegations of procurement fraud that are of a significant dollar value.
- Allegations of misconduct on the part of agency heads and other high-ranking executives in the District government.
- Systemic program or management deficiencies that need immediate attention and correction.

### INVESTIGATIONS CLOSED

In FY 2003 the Investigations Division closed 290 investigations. These statistics reflect of the size of the agency, the nature of its mission, and the proportionate frequency with which the ID initiates investigations based on credible allegations of waste, fraud, and abuse. Appendix F shows the details by agency of the number of cases closed.

### HOTLINE USAGE

Detailed hotline statistics are included in Appendix G. D.C. Code § 47-2881 (2001) requires the OIG to submit quarterly reports to Congress on the number and nature of calls placed to the Hotline. The OIG Hotline numbers are (202) 727-0267 and 1-800-521-1639. Approximately 4,000 hotline calls are received every year. The OIG Hotline is used to report a wide range of matters. However, not all calls result in the opening of an investigation by the OIG. In some cases, the callers (many of whom elect to remain anonymous) do not report sufficient information to enable the OIG to initiate an investigation, and other calls concern matters that are not within the OIG's jurisdiction. Still other matters cannot be pursued because the OIG lacks the personnel and resources to handle the investigations.

Numerous complainants call the OIG Hotline to report that District government agencies were not responsive to their initial calls. Many of these and other inquiries were successfully redirected to a responsive District government official or resolved informally with the caller.

The OIG received a total of 133 calls on the Hotline during FY 2003 that required further action by the ID. These are further described in Appendix G. While hotline calls represent just one of the ways in which government employees and concerned citizens

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## ACTIVITIES OF THE INVESTIGATIONS DIVISION

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provide information to the OIG, it is important to note that some of the most significant cases the OIG investigates result from calls placed to the OIG Hotline. The OIG also receives reports of government corruption, waste, fraud, and abuse via mail, email, facsimile, in person, and by referral from other departments and agencies, the EOM, the D.C. Council, and Congress.

### SUMMARY OF PROSECUTIVE ACTIVITY

The OIG is required to refer credible allegations of criminal conduct on the part of District government employees and contractors to the USAO for prosecutorial consideration. *See* D.C. Code § 2-302.08(a)(3)(F)(ii)(2001). In FY 2003, the OIG referred 59 cases to the USAO for possible prosecution; 42 were accepted for further investigation, and in 17 cases, prosecution was declined. In addition, nine cases were presented to the OCC for prosecution under laws within the jurisdiction of that office. The investigations conducted by the OIG (and, in some cases, in conjunction with other law enforcement agencies) resulted in eight convictions in FY 2003. The individuals who were convicted received sentences that included imprisonment, home detention, probation, fines, and restitution.

### RESTITUTION AND RECOVERIES

During FY 2003, individuals convicted as a result of OIG investigations were ordered to pay a total of \$350,317 in restitution, fines, and recoveries.

#### Summary of Restitution and Recoveries

	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>
Asset Seizure	\$2,959,646	\$205,425	\$0
Restitution/Fines/Recoveries	<u>\$1,181,071</u>	<u>\$669,936</u>	<u>\$350,317</u>
<b>Totals</b>	<b>\$4,140,717</b>	<b>\$875,361</b>	<b>\$350,317</b>

### INVESTIGATIVE REPORTS

The OIG issued 18 investigative reports (ROIs) in FY 2003. Formal ROIs are issued at the conclusion of significant investigations of misconduct, waste, fraud, and abuse. In cases where the allegations are substantiated, the ROIs recommend disciplinary and/or remedial action where appropriate. These ROIs are then distributed to responsible



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## ACTIVITIES OF THE INVESTIGATIONS DIVISION

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District government agency heads, with executive summaries distributed to the Mayor, the D.C. Councilmembers, and, where necessary, to Congressional oversight committees.

In addition, the ID prepares a variety of other investigative reports to respond to more immediate problems. Management Alert Reports (MARs) are issued to particular District government agency heads to alert them to issues uncovered during the course of ID investigations that require immediate attention. For example, in FY 2003 the ID issued a MAR to alert the Superintendent of the D.C. Public Schools (DCPS) to improper management practices in the Office of the Director of Security, DCPS. The ID also issued a MAR to the Chairman of the Board of Elections and Ethics (BOEE) to alert the Chairman to allegations of mismanagement and misconduct on the part of the Executive Director of the BOEE and the Director of the Office of Campaign Finance.

Management Implication Reports (MIRs) are issued to numerous agency heads to alert them to issues or problems that affect more than one agency. For example, ID issued a MIR in FY 2003 to remind agency heads of the obligation of all District government employees to report allegations of corruption, criminal activity, and conflicts of interest to the OIG. We issued another MIR to alert agency heads about internal control weaknesses associated with the employment application process.

Fraud Alert Reports (FARs) are issued to agency heads as notification of particular criminal schemes. We did not issue any FARs during FY 2003.

Finally, the ID issued numerous Significant Activity Reports during FY 2003 to notify the Mayor and affected agency heads of criminal prosecutions and convictions of District government employees and contractors.

### SIGNIFICANT INVESTIGATIONS

#### **Inadequate Oversight and Misconduct at the D.C. Board of Elections and Ethics and the Office of Campaign Finance**

The OIG conducted a lengthy investigation under the supervision of the U.S. Attorney's Office concerning allegations of misconduct and mismanagement by executive-level officials of the District of Columbia Office of Campaign Finance (OCF) and the Board of Elections and Ethics (BOEE). The allegations of misconduct provided to the OIG were highly credible: (1) they originated from management/professional level employees with first-hand knowledge of their agencies' operations; (2) the employees brought us official documents and records to corroborate their claims; and (3) the employees, outraged that rules were being ignored by BOEE/OCF management, risked their careers by making allegations against their superiors. Moreover, these employees advised the OIG that their whistleblower activities resulted in retaliation against them.

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## ACTIVITIES OF THE INVESTIGATIONS DIVISION

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Overall, the investigation disclosed a significant number of serious issues at BOEE and the OCF, which indicated that oversight of these offices is not objective. The investigation disclosed that executive-level officials of the BOEE and OCF had used their positions improperly to enrich themselves at the expense of District taxpayers and to selectively enforce campaign finance laws. In addition, the investigation found that these same officials failed to refer potential violations of law to the appropriate authorities, failed to cooperate with the OIG investigation, and may have retaliated against employees who did cooperate with our investigation.

Because the lack of cooperation from responsible District officials made an administrative remedy more practical than a prosecution, the United States Attorney decided against a criminal prosecution regarding the scheme by BOEE and OCF officials to obtain improper salary increases and back pay. The matter was referred back to the OIG for whatever civil, administrative or other action was deemed appropriate.

During the investigation, the OIG issued two Management Alert Reports to the Chairman, BOEE, to alert him to serious allegations of mismanagement and misconduct by officials at his agency. The final report of investigation made 14 recommendations for specific corrective action by the Chairman to address the findings of the investigation. The Chairman disagreed with many of the recommendations, and declined to take administrative action against the employees named in the OIG report.

### **Theft of District Funds by Department of Public Works Employee**

The OIG investigated a complaint by a citizen that he had paid \$885 to an employee of the Department of Public Works (DPW) Abandoned and Junk Vehicle Division to purchase an abandoned vehicle. The employee kept the money and made no record of the transaction, so that the complainant could not receive the vehicle he intended to purchase. As a result of the OIG investigation, the employee was convicted of second degree theft in D.C. Superior Court. The former employee was sentenced to a six month suspended sentence, 18 months probation, and ordered to pay \$885 in restitution.

### **Theft of District Funds by Department of Insurance and Security Regulations Employee**

The OIG conducted an investigation based on a referral from the Director of the Insurance and Securities Fraud Bureau, D.C. Department of Insurance and Security Regulations (DISR), that an employee was diverting checks to his personal bank account. The investigation disclosed that the employee had unlawfully converted checks in excess of \$75,000 that were in payment for licenses issued by DISR. The employee pleaded guilty to bank fraud and first degree fraud in U.S. District Court. He was sentenced to five months incarceration and five months confinement to a halfway house, followed by

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## ACTIVITIES OF THE INVESTIGATIONS DIVISION

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five years of supervised release and 200 hours of community service. He was ordered to pay \$75,198 in restitution to the District government.

### **District Roofing Contractor Convicted of Mail Fraud for Creating Fictitious Bids**

The OIG conducted a joint investigation with the FBI and the U.S. Department of Housing and Urban Development Office of the Inspector General into an allegation that false bids were submitted by a contractor in a home loan/grant repair program administered by the D.C. Department of Housing and Community Development. The investigation disclosed that a former District roofing contractor engaged in a scheme whereby he submitted false competing bids in 15 separate home repair projects. The former contractor pleaded guilty in U.S. District Court to mail fraud, and received a suspended sentence of five years imprisonment. He was also sentenced to six months of electronic monitoring in his home 500 hours of community service, (to be served in home improvement projects in the District), a \$20,000 fine, and ordered to pay \$31,000 in restitution to the District.

### **D.C. Government Official Found to Have Downloaded Pornography**

The Office of the Chief Technology Officer (OCTO) informed the OIG that an official of the D.C. Youth Advisory Council used the government computer in his office to download pornographic material from the Internet. Initially, it was suspected that the downloaded material included illegal child pornography. While the investigation corroborated that the employee had downloaded substantial amounts of pornography, no child pornography was found, and there was no evidence that the employee intended to distribute any of the pornographic materials. Prosecution was declined, and the agency terminated the employee based upon his misuse of a government computer.

### **Dishonest Lottery Agent's License Revoked**

The OIG investigated an allegation that a lottery agent conspired with others and fraudulently obtained a winning lottery ticket valued at \$5,000 from a lottery customer. The investigation determined that the lottery agent failed to deal honestly and responsibly with the Lottery Board and the public, and that the agent improperly accepted telephonic wagers. The OIG recommended that the lottery agent's license be suspended or revoked, and the Lottery Board revoked the agent's license.

### **Employee Found to Have Improperly Removed a D.C. Government Computer**

The OIG investigated an allegation that a D.C. government employee improperly removed a computer from his office and took it home. The employee admitted to the OIG that he did not have approval to remove the computer but stated that he took the computer home to complete work assignments. OIG investigators interviewed the

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## ACTIVITIES OF THE INVESTIGATIONS DIVISION

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employee's immediate supervisor who advised that the employee had no work assignments that necessitated the use of a government computer outside of the office. The employee subsequently returned the computer. Prosecution was declined and the matter was referred to agency officials for disciplinary action.

### **District Agency Manager Found to Have a Conflict of Interest**

The OIG conducted an investigation based on a complaint alleging that a Community Development Corporation (CDC) purchased and renovated a home in the District to curry favors with and for the financial benefit of a Department of Housing and Community Development (DHCD) management employee. The OIG investigation determined that the District agency manager was involved in her official capacity in CDC transactions simultaneously with the CDC's renovation and sale of the manager's single-family home. The investigation further determined that the agency manager became indebted to the CDC for the amount of mortgage arrears the CDC paid on the single-family home after she moved into the property and until she eventually purchased the home. To satisfy the debt, the agency manager executed a promissory note obligating her to make monthly payments to the CDC for a 1-year period after she purchased the property. During the period of her indebtedness, the agency manager offered to sell another District property to its tenants, two of which were also employees of the CDC. Prosecution of the agency manager was declined in favor of administrative remedies. The matter was referred to the employee's supervisors for appropriate administrative action based on the manager's violations of the District's conflict of interest statute and standards of conduct regulations.

### **Senior Official Misuses Government Car**

At the request of a D.C. Government agency, the OIG investigated allegations that one of its senior officials used an official government car for personal use. The investigation established that the official misused government vehicles on a limited number of occasions and the OIG recommended that the agency take appropriate disciplinary action.

### **Improper Pension Payments Recovered**

At the request of the Office of Pay and Retirement Services, the OIG and the Office of Internal Security, Office of the Chief Financial Officer, conducted a joint investigation regarding pension payments for retired D.C. government employees that were paid after the retired employees died. To date, as a result of the investigation, \$70,812.40 has been recovered from 3 individuals who were not entitled to the overpaid pensions.

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## ACTIVITIES OF THE INVESTIGATIONS DIVISION

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### **Former Special Assistant to the Secretary of the District of Columbia Found Guilty of Bribery, Fraud and Conspiracy.**

Following a joint FBI-OIG investigation, a former Special Assistant to the Secretary of the District of Columbia was found guilty in a U.S. District Court trial of bribery, fraud and conspiracy for his role in helping his former girlfriend, a former associate in a brokerage firm, fraudulently obtain \$20,000 in city grants that should have been used to help impoverished District residents. The pair created two fictitious nonprofit companies and submitted applications for grants from a fund that the employee was responsible for controlling. The former District employee was sentenced to 3 years incarceration, followed by 2 years probation and 150 hours of community service. His girlfriend pleaded guilty and was sentenced to 5 years probation as part of a plea agreement. The two defendants are jointly responsible for repaying the money.

### **Operation Double Dip Continued to Result in Successful Prosecutions**

The ID, in conjunction with the USAO and the Department of Employment Services (DOES), continued an ongoing initiative to detect, prosecute, and recover monies received by individuals who unlawfully obtained unemployment benefits by failing to report that they had been reemployed. Since the inception of this project, 21 cases have been referred to ID by DOES. Of these 21 cases, 7 defendants have entered guilty pleas to felony charges and 6 of these defendants have been sentenced. A total of \$89,906 has been ordered in restitution. During this reporting period, three individuals pleaded guilty to first degree theft. Two of the three defendants have been given sentences that include probation, community service, and court-ordered restitution totaling \$35,228.

### **District Official Indicted for Bribery and Conspiracy**

A former corporate registration official at the D.C. Department of Consumer and Regulatory Affairs was indicted on federal charges of conspiracy and accepting a bribe. As a result of a joint investigation by the OIG and USAO investigators, the official was charged with taking \$1500 in bribes from the owner/operator of a business in exchange for renewing and reinstating the registrations of several fictitious corporations, which were then used in a scheme to commit immigration and labor fraud. The companies registered as part of the scheme existed only on paper, and none of them ever conducted any legitimate business. If convicted, the employee faces up to 15 years in prison and a maximum \$25,000 fine.

### **Former OCFO General Counsel Incarcerated**

On October 23, 2002, Saamir ("Sam") Kaiser, former General Counsel, OCFO, was sentenced to 54 months of federal imprisonment and ordered to pay restitution in the

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## ACTIVITIES OF THE INVESTIGATIONS DIVISION

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amount of \$514,000.<sup>1</sup> The court further sentenced Kaiser to an additional six years of supervised probation during which time restitution will be taken from any income he earns. In a separate civil case, Kaiser agreed to pay \$150,000 in punitive damages to the District government. This sentence resulted from an investigation, conducted in FY 2002, which showed that Kaiser repeatedly made false and fraudulent statements to D.C. government officials concerning his academic and professional credentials. Among his false statements was his representation that he was licensed to practice law. These false representations were made to obtain salary payments from the D.C. government totaling \$266,000. In addition, Kaiser served as the Assistant Treasurer for the D.C. Tobacco Settlement Financing Corporation and defrauded the Corporation out of more than \$248,000.

### **Lax Oversight and Inadequate Controls in OCFO Contributed to Kaiser's Crimes**

In a separate report issued in FY 2003, the OIG found that lax practices and inadequate controls in OCFO facilitated Kaiser's criminal activities. OCFO hired Kaiser, effective January 14, 2001, as Deputy General Counsel. When Kaiser was hired by OCFO, he was notified that the offer of employment and his continued employment were "subject to a satisfactory background investigation." On January 24, 2001, OCFO conducted a credit check on Kaiser that revealed a negative credit history. However, no other background investigation was conducted on Kaiser until after October 26, 2001, when a confidential source contacted OCFO and questioned Kaiser's bar membership.

Before that allegation was made, Kaiser was designated the Assistant Treasurer of the Tobacco Corporation Board and subsequently given sole signature authority for the Tobacco Corporation bank accounts. In July 2001, Kaiser was promoted to General Counsel when the previous General Counsel left OCFO.

After OCFO determined that Kaiser had falsified his academic and professional credentials, Kaiser submitted a resignation letter, dated November 16, 2001, and effective December 1, 2001. This was accepted by the OCFO. However, Kaiser was permitted to remain an OCFO employee until December 31, 2001. OCFO did not even revoke Kaiser's signature authority on the Tobacco Corporation account until January 9, 2002. As a result, from December 20, 2001, to approximately January 3, 2002, Kaiser was able to deposit 3 additional Tobacco Corporation account checks totaling \$59,500, into his personal bank account and to make wire transfers totaling \$55,000 to his account in the United Kingdom.

Further, although OCFO learned of Kaiser's fraudulent misrepresentation regarding his education and professional credentials in November 2001, OCFO failed to notify the OIG

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<sup>1</sup> The amount of restitution and the fact of the conviction were included in the FY 2002 statistics for the Investigations Division and will not be included in the FY 2003 statistics in this report.

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## ACTIVITIES OF THE INVESTIGATIONS DIVISION

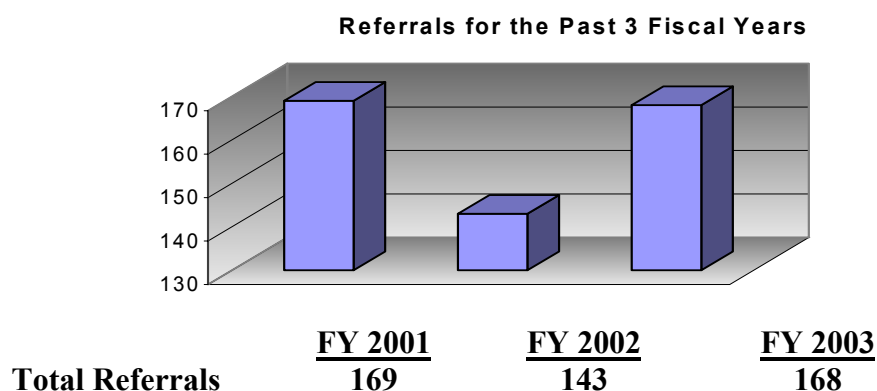
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of the matter until January 9, 2002, in violation of DPM §1803.8, which requires D.C. officials to report such information to the OIG “without delay.” As a result of the OIG report, Mayor Williams directed OCFO to retain the services of an independent consulting or accounting firm to perform an audit of OCFO’s internal security procedures.

### REFERRALS

The OIG frequently refers to other departments and agencies administrative matters due to jurisdictional issues or because these matters can best be addressed by those agencies. For example, issues involving the electoral process are referred to the Office of Campaign Finance (OCF), Hatch Act allegations are referred to the U.S. Office of Special Counsel (OSC), and EEO-related complaints are referred to the Office of Human Rights. In addition, the OIG and the MPD are parties to a Memorandum of Understanding which provides that allegations of traditional personal and property crimes, as well as all complaints involving controlled substances, are referred to the MPD. In addition, most allegations of misconduct on the part of the MPD employees are referred to the MPD’s Office of Professional Responsibility.

In most cases, the OIG monitors the responses to these referrals to ensure that the matters are handled appropriately. The focus of the Referral Program is to hold agency heads accountable for thoroughly addressing issues of mismanagement and inefficiency within their respective agencies. For FY 2003, the OIG referred a total of 168 matters to 33 District agencies. The details are reported in Appendix H.



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## ACTIVITIES OF THE INVESTIGATIONS DIVISION

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### SIGNIFICANT RESULTS FROM THE REFERRAL PROGRAM

The following are examples of significant outcomes for referrals sent to agency heads during FY 2003:

**Case 1:** This referral to OCTO was made in FY 2002, but resolved in FY 2003. A contractor delivered used computer equipment to OCTO under a contract specifying that the equipment must be new. OCTO's review substantiated the allegation, but found that the contractor had received false representations from its own supplier. The contractor furnished new computer equipment as required by the contract, and no punitive measures were taken.

**Case 2:** This referral to OCFO was made in FY 2002, but resolved in FY 2003. A citizen complained of being unable to obtain his or her tax refund. OCFO's review showed that the tax refund check had been mailed in June but had never been cashed. OCFO put a "stop payment" on the original tax refund check and issued a new one (albeit without interest because the response time limit had not yet expired).

**Case 3:** This referral to DPW was made in FY 2002, but resolved in FY 2003. The complainant contacted DPW to request that two vehicles on his or her block that had not been moved for some time be ticketed for parking illegally. Several days later, when no action had been taken to ticket the vehicles, the complainant contacted DPW again and was informed that a parking enforcement officer had visited the site and found no illegally-parked vehicles. The complainant contacted the OIG to report that the parking enforcement officer had issued a false report.

In response to the OIG referral, DPW conducted a re-inspection of the site and discovered that the initial parking enforcement officer had inspected the wrong location. As a result, the parking enforcement officer's supervisor spent additional field time with the employee "to ensure accuracy in identifying correct enforcement locations." The employee was also counseled with respect to the importance of being at the correct dispatched location. The location was re-inspected and two vehicles were ticketed for having expired inspection stickers.

**Case 4:** This referral to the Citizen Complaint Review Board was made in FY 2002, but resolved in FY 2003. The OIG referred many complaints to the agency, almost all of which were found to be unsubstantiated. However, an allegation that an agency investigator misused an office credit card to purchase clothing was substantiated, and the investigator was required to repay the money.

The agency response indicated that the incident was promptly reported to OCP. OCP made a number of recommendations, all of which were implemented. The OCP recommendations were that the agency file a written reprimand in the investigator's



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## ACTIVITIES OF THE INVESTIGATIONS DIVISION

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agency personnel folder and suspend the investigator's travel card privileges. The agency should also provide training to all agency personnel in the proper use of the agency travel card, and draft internal procedures for tracking and reconciling travel card charges.

**Case 5:** This referral to OCP was made in FY 2002, but resolved in FY 2003. It was alleged that an Assistant Director replaced a *Performance Evaluation Form*, as written by the subject's supervisor, with one that the subject had written. OCP's review substantiated the allegation. As a result, the subject employee was suspended from his or her MSS position for 30 days, and terminated at the conclusion of the 30-day period. The employee was offered a new position in the Excepted Service at approximately three-quarters his or her previous salary, but the employee declined to accept the position.

**Case 6:** This referral to DOES was made in FY 2002, but resolved in FY 2003. It was alleged that a subject who was terminated from his or her job in July 2001, had collected unemployment compensation since October 2001. However, the subject failed to report to DOES that the subject accepted a position in November 2001 for which he or she received a \$60,000 annual salary. The agency's review substantiated the allegation and discovered a previous false unemployment claim involving \$12,051 in fraudulent payments to the subject. An administrative fraud penalty was imposed for part of the latter fraud, and the matter will be included as one of several related cases in the OIG's *Operation Double-Dip* criminal investigation.

**Case 7:** This referral to DHS involved the following allegations and agency actions:

- (1) It was alleged that an employee stole office supplies. The agency's review showed that the subject moved some office supplies from one site to another without authorization; however, theft was not substantiated.
- (2) It was alleged that an employee falsified his or her time and attendance records and that the employee's supervisor was aware of the fraud but took no action. It was also alleged that the employee purchased personal goods using an office internet connection. The agency's review revealed that the subject had been witnessed altering his or her time and attendance records. The supervisor's claim to be unaware of the fraud was found not to be credible. The subject admitted to purchasing goods using the office's internet connection against regulations.
- (3) It was alleged that a supervisor committed time and attendance fraud. The agency's review was unable to substantiate this allegation, noting that the supervisor's subordinates do not always know where their supervisor is because he or she is required to move around frequently during the day, possibly creating the appearance that he or she is not present during scheduled working hours.

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## ACTIVITIES OF THE INVESTIGATIONS DIVISION

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- (4) It was alleged that an employee was in violation of a residency requirement. The agency's review showed that the position itself does not require District residency, and that the subject never made a claim for a residency preference. The Office of Personnel was found to have made an initial error in recording a residency preference where none had been claimed.

**Case 8:** A citizen complained that he or she received a ticket for failing to display a parking permit that was, in fact, displayed in precisely the spot specified by regulations. After reviewing the matter, the agency voided the ticket.

**Case 9:** This referral to DHS concerned an allegation that a supervisor arrived late for work every day and failed to comply with the sign in/out procedure. The agency's review supported the allegation that the supervisor frequently arrived late and that he or she did not always comply with the sign in/out procedure. In addition to (unspecified) individual disciplinary action, the agency decided to address this issue in a meeting, re-issue the time and attendance policy, and plans to conduct random checks of the sign in/out sheets in the future.

**Case 10:** This referral to DHS concerned an allegation that an employee had falsely claimed a Master's Degree in Psychology on his or her employment application. The agency's review showed that, although a Master's Degree is not a requirement of the position, the subject had falsely claimed to possess one. The employee's MSS employment was terminated.

**Case 11:** This referral to DCRA concerned an allegation from fearful co-workers that an employee's behavior had become erratic, and included verbal abuse and physical threats. The complaint also alleged that agency management appeared not to take the matter seriously. As a result of the agency's review, the employee was counseled, took leave, and was placed on 3 weeks of administrative leave. The employee was also ordered to return agency property (he or she has returned some, but not all, agency property), and was instructed to provide a statement from his or her physician stating that he or she would be able to return to work (the employee had rejected working with Employee Assistance Program, and had preferred to consult a personal physician). The employee did not provide the requested physician statement, and is now considered AWOL. Additional disciplinary measures against the employee are being considered.

**Case 12:** This referral to WASA concerned an allegation that an employee was selling merchandise to his or her subordinates on scheduled office time. The agency's review substantiated the allegation, although there was no evidence that the employee coerced his or her subordinates into making the purchases. The employee was counseled, and a thirty-day unpaid suspension was proposed, although the disciplinary process is pending. A new, WASA-wide policy will be developed and disseminated prohibiting solicitation in the workplace.

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## ACTIVITIES OF THE INVESTIGATIONS DIVISION

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**Case 13:** This referral to DHS concerned an allegation that an agency employee was offered overtime pay to work hours outside his or her normally-scheduled hours to renovate a warehouse for the agency. After the project was completed, agency management claimed that it never authorized any overtime pay. It was also alleged that contracting procedures may have been circumvented by utilizing existing staff to provide services outside the scope of their normal position responsibilities instead of following the required bidding and contracting procedures.

The agency's review substantiated the allegations; however, in the course of the investigation it was also revealed that the complainant and two others engaged in significant overtime fraud. The DHS investigation determined that:

- Commencing as early as September 2001, Youth Services Administration management began making purchases for an unauthorized construction project to convert a warehouse facility to a distribution center. These purchases appeared to violate OCP rules. The funds for this unauthorized work, both in materials and labor, was accomplished by improper credit card transactions.
- YSA management permitted and approved reimbursement for three employees to receive overtime pay or benefits although there was no apparent oversight and monitoring of the project or their activities to confirm that the work was actually performed.
- Three YSA employees engaged in time and leave fraud and were paid for work they did not perform. Adverse action was proposed against all three.
- Two senior YSA managers failed to monitor the project despite approving or authorizing excessive hours of overtime work. The managers failed to determine what work was actually being done or how far along the project was. They both also apparently failed in their duty to notify the appropriate persons that the project overtime ended in February 2002.
- YSA senior managers failed to report this matter to the DHS Office of Investigations and Compliance (OIC) when they learned of the problem in January 2003. OIC was also not informed until March 2003. The OIG made its referral to DHS in May 2003.

**Case 14:** This referral to the District of Columbia Office of Personnel (DCOP) concerned an allegation that residency requirements for some positions were being avoided by canceling *Certificates of Eligibility* with residency requirements, and then filling the position under *Temporary Appointment Pending Establishment of a Register* (TAPER), which allows a non-resident to be selected for the position "temporarily."

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## ACTIVITIES OF THE INVESTIGATIONS DIVISION

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After 90 days, DCOP would issue a new position announcement limiting consideration to agency employees, thereby excluding from consideration the D.C. resident to whom the position would otherwise have gone.

While the agency's review failed to uncover any specific incidents that matched the allegation, the Director, DCOP, made the following statement: "To prevent any abuse of this authority as it relates to residency, I have advised my staff that for all employees hired on TAPER appointments, the area of consideration must be, at minimum, District government-wide, effective immediately."

**Case 15:** This referral to DMV concerned an allegation that a citizen received a mailed ticket for an infraction involving a Chevrolet bearing a license plate issued to the citizen's previous vehicle, an Accord. However, the Accord had been destroyed and the license plate was turned in to DMV a year previously. The citizen paid the ticket in full to avoid having his or her credit damaged, but wanted the matter investigated and a refund.

The agency's review of the complainant's documentation substantiated that the license plates had been turned in after the Accord had sustained significant damage. DMV reviewed the ticket and acknowledged that the citizen had paid in full. The ticket was dismissed and a full refund was authorized.

**Case 16:** This referral to DCRA concerned an allegation that two employees were routinely parked in an agency vehicle outside a private residence around lunchtime every day for several hours. The agency's review resulted in the termination of the employee to whom the vehicle had been assigned, and a 30-day unpaid suspension and demotion for the other employee.

## PEER REVIEW OF INVESTIGATIONS DIVISION OPERATIONS

District legislation pertaining to the OIG requires that a peer review of OIG operations be conducted at least once every 3 years by an entity not affiliated with the OIG. D.C. Code § 2-302.08 (f-5) (2001). Accordingly, the Inspector General arranged to have a peer review of the Investigations Division conducted by the Inspector General of the City of Philadelphia and members of his staff during April 2003.

The legislation mentioned above also requires that the Inspector General comply with investigative standards established by the federal Inspectors General through the President's Council on Integrity and Efficiency (PCIE). D.C. Code § 2-302.08 (b)(1) (2001). Therefore, the peer review was conducted pursuant to standards developed by the PCIE, and was among the first investigative peer reviews to be conducted under those standards. The peer review assessed randomly selected work products produced during the period January 1, 2002, through April 1, 2003, and included interviews of OIG senior

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## ACTIVITIES OF THE INVESTIGATIONS DIVISION

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staff, as well as midlevel and first line managers and employees. In addition, the peer reviewers interviewed selected Investigation Division customers, including District government department heads and managers, and officials in the Office of the U.S. Attorney and the Office of the Chief Financial Officer.

The peer reviewers considered the Investigations Division's compliance with general standards relating to the qualifications of its investigators, the independence of the organization, and the exercise of due professional care. Individual cases were reviewed for compliance with qualitative standards relating to planning, execution, reporting, and information management. In a report dated April 23, 2003, the Inspector General for the City of Philadelphia found that the Investigations Division was in compliance with PCIE investigative standards, and that there were no reportable instances of failure to meet the PCIE standards. Moreover, it was the opinion of the peer review team that the Investigations Division had adequate internal safeguards and management controls and met all PCIE standards for the period of the review.

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**ACTIVITIES OF  
THE MEDICAID FRAUD CONTROL UNIT**

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## ACTIVITIES OF THE MEDICAID FRAUD CONTROL UNIT

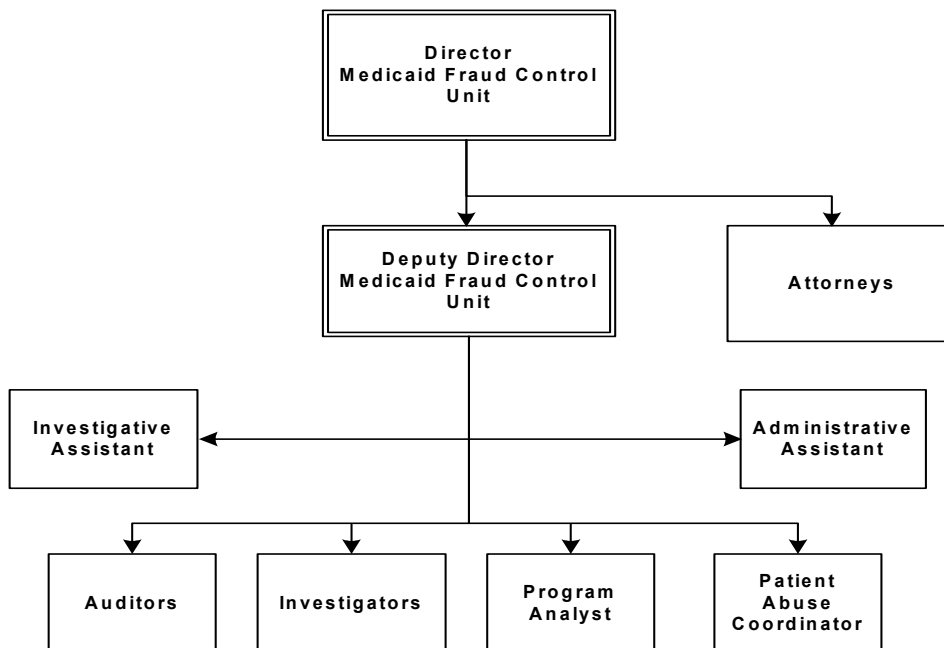
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### ORGANIZATION

FY 2003 marked the fourth year of existence for the Medicaid Fraud Control Unit (MFCU), which is the newest of the four divisions within the OIG. The United States Department of Health and Human Services (HHS) certified the MFCU on March 1, 2000, and FY 2003 was the third year in which the Unit was fully staffed and completely operational. The MFCU's goal is to investigate and prosecute cases of fraud and abuse within the Medicaid program for the District of Columbia. Managed by a Director, the 16 members of the MFCU bring a variety of skills and experiences to the task. Of particular value is the health-care industry background that members possess, including hospital billing, health-care accounting, and insurance experience. In addition, two attorneys formerly worked as Registered Nurses. This provides them with practical experience and medical knowledge that greatly complements their legal skills.

The MFCU is organized in a strike force fashion with prosecutors leading teams generally composed of investigators and auditors. This method of organization presents significant advantages, in that attorneys are able to provide legal analysis from the very beginning of each case and, in turn, prosecutors are familiar with the case long before it results in litigation.

**OIG Medicaid Fraud Control Unit  
September 30, 2003**





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## **ACTIVITIES OF THE MEDICAID FRAUD CONTROL UNIT**

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The MFCU's enforcement efforts fall into two general categories (1) financial fraud against the Medicaid program, and (2) abuse or neglect of patients in Medicaid-funded nursing homes and other institutional settings or board and care facilities. Both of these areas entail investigations, litigation, outreach, and legislative components.

The Unit is one of 48 certified Medicaid Fraud Control Units nationwide. As such, the MFCU receives 75 percent of its funding in the form of a grant from the HHS Office of Inspector General. In order to remain eligible for these yearly grants, the MFCU must conform to a number of federal requirements described in the Code of Federal Regulations. In addition to complying with all mandatory federal standards, the MFCU must provide quarterly and annual statistical reports demonstrating its continued productivity and a significant return on the investment in federal and District tax dollars.

### **ANTI-FRAUD EFFORTS**

#### **The First Health Case**

The MFCU's key achievement in FY 2003 was the recovery of \$13 million from First Health Services, Inc. (FH) as reimbursement for funds lost due to the filing of false claims with the Medicaid program. This recovery was the culmination of over 3 years' effort, beginning virtually from the inception of the Unit. The settlement has its origin in the District's conversion in 1992-93 from an older system for maintaining information on Medicaid recipients, known as MATS, to a newer system known as ACEDS. As a contractor with the Medicaid program, FH played a key role in the claims administration process and assumed the responsibility of assuring the accuracy and integrity of all claims for payments.

During that period, the Medicaid program experienced significant turnover in the Medicaid eligible population. As previous Medicaid recipients became ineligible, this change in their status was furnished electronically to FH every night. Unfortunately, a software error in FH's COBOL computer language program prevented the program from overwriting obsolete eligibility information. As a result, from 1993 through 1996, thousands of claims filed by ineligible recipients were processed and paid as if they were valid.

For most of this period, FH was unable and/or unwilling to acknowledge and correct this problem. However, early in 1996, a Department of Health Medical Assistance Administration (MAA) employee demonstrated precisely where FH's computer program flaw was located, and by mid-1996 a fix was implemented. This prevented the loss of any more funds, but did not address the issue of recovering funds that had previously been improperly paid. Shortly thereafter, in January 1997, the District of Columbia Office of

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## ACTIVITIES OF THE MEDICAID FRAUD CONTROL UNIT

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Inspector General (OIG) issued a report indicating that steps should be taken to recover the lost funds. Unfortunately however, during the next 3 years no action was taken in this regard.

In the year 2000, several developments initiated by the OIG dramatically changed the District's state of paralysis on this problem. The OIG's Inspections and Evaluations Division issued a report on MAA that highlighted the District's continuing failure to act on this issue. Furthermore, in March of 2000, the MFCU was created. Shortly after its creation, the Inspector General asked the Director to look into the matter of these lost funds as one of the MFCU's first cases and to make it a high priority.

Utilizing the research collected by the Inspections and Evaluations Division as a starting point, the MFCU commenced a fraud investigation. After a lengthy and painstaking review of numerous amounts of documentation and technical data, the MFCU concluded that it had uncovered evidence that would provide the basis for a strong civil fraud action under the federal False Claims Act. One advantage of using this statute is that it addresses situations where a contractor, such as FH, causes the filing of false claims rather than actually filing the claims itself. Furthermore, under the False Claims Act, the government need only show reckless conduct, rather than the intentional fraud required by criminal statutes. Furthermore, the statute contains the potential for treble damages and penalties of up to \$10,000 per false claim.

Thereafter, based on this investigation, and in close collaboration with the United States Attorney's Office, the Director of the MFCU made a presentation to attorneys for FH and its previous owners, outlining a potential fraud case. This potential litigation was not without its challenges, including the fact that with the passage of time some key evidence had been lost and that the age of the case could lead to statute of limitations issues. Furthermore, the purchase of FH by a holding company after 1996 was yet another complicating factor.

However, after protracted and complex negotiations, the parties reached a settlement calling for repayment of \$13 million to the Medicaid program. After approval by the United States Department of Justice, full payment was received in April 2003. The settlement received considerable publicity because, in addition to the size of the settlement, it was unique in several respects. To the best of our knowledge, it represents the first recovery, anywhere in the nation by a MFCU, from a claims processor for the reckless processing of Medicaid claims. In addition, it represents an unusual use of the False Claims Act to recover money lost by the government when the party causing the false claims did not actually receive the bulk of the lost funds. Furthermore, it was a groundbreaking demonstration of the teamwork and partnership between the District and federal governments, as the MFCU worked closely with the United States Attorney's Office to recoup funds lost to the District's Medicaid program.

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## ACTIVITIES OF THE MEDICAID FRAUD CONTROL UNIT

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### Ongoing Activities

The MFCU is now working on a significant number of fraud cases. Currently, we have approximately 43 fraud cases, including 27 matters that were opened during FY 2003. These involve allegations of fraud relating to a broad variety of health care providers, ranging from nationally known institutions to solo practitioners. Medical care professionals and organizations involved in our cases include physicians, dentists, pharmacies, medical equipment suppliers, mental health clinics, nursing homes, and transportation providers. Investigations can lead to the filing of criminal, civil, and/or administrative charges. In fact, whenever appropriate, we consider the possibility of simultaneously working a case on parallel criminal, civil, and/or administrative tracks. In this way, we can obtain the powerful deterrent effect that comes with criminal convictions, and also maximize our potential for recovering funds taken from the Medicaid program. Although health care fraud cases frequently take up to 3 or 4 years to move from receipt of an allegation to the filing of charges, the MFCU currently has a number of matters that it believes will be resolved during FY 2004.

The Unit has also engaged in anti-fraud educational and outreach presentations in the private sector. We have spoken to health-care industry and senior citizen groups throughout the District to introduce our MCFU, make formal presentations, and answer questions. Moreover, we work closely with industry groups on problems of mutual concern. Similarly, the MFCU continues to cooperate closely with other District and federal law enforcement agencies in the investigation and prosecution of fraud cases. In particular, the Unit is working on a number of ongoing investigations with the FBI, the HHS Office of Inspector General and/or the Drug Enforcement Administration. In addition, the Metropolitan Police Department continues to provide invaluable assistance to the MFCU in a number of ways. Furthermore, we are an active participant in the U.S. Attorney's Office's health-care fraud task force for the District of Columbia. In addition to these local activities, the MFCU has been involved in national anti-fraud efforts. The MFCU is a member of the National Association of Medicaid Fraud Control Units (NAMFCU) and regularly coordinates with its counterparts in 47 states. We are the only MFCU that has been invited to be a regular participant in the United States Department of Justice Health-Care Fraud Working Group (HCFWG).

One key aspect of the MFCU's continuing efforts against waste, fraud, and abuse in the District's Medicaid program is our continuing partnership with the MAA of the District's Department of Health. This partnership with MAA includes, among other things, numerous discussions and meetings to review particular cases and projects. The Unit most frequently interacts with MAA's Surveillance and Utilization Review Unit (SUR). While the SUR endures a period of rebuilding and reorganization, we have provided MAA with frank and substantive suggestions to maximize the productivity of both the SUR and the MFCU in the future. As an example of systemic improvements in our

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## ACTIVITIES OF THE MEDICAID FRAUD CONTROL UNIT

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operations, the MFCU has been given limited direct online access to Medicaid claims information regarding individual cases, which allows the Unit to instantly verify the status of health care providers. With greater access to this information, investigations can proceed more efficiently, with fewer burdens on MAA and MFCU personnel. Easy access to claims data for multiple providers and recipients will greatly facilitate our mission; whereas, delays in such access constitute an impediment in the investigation and prosecution of cases. Accordingly, we are continuing to seek greater access to claims data.

During FY 2003 the MFCU demonstrated both the rapport it has established with other law enforcement agencies and the respect it has garnered from the legal community in a number of different ways. In particular, the Director was invited to make presentations to national groups of fraud investigators and prosecutors on various aspects of Medicaid fraud. Furthermore, other MFCU members have made presentations on Medicaid fraud and quality of care at nursing homes before both national and local audiences.

Another very important aspect of the MFCU's involvement in national health-care fraud activities is our participation in global settlements. On occasion, health-care providers engage in similar fraudulent activities and schemes in multiple states. The Unit has joined with other MFCUs, under the auspices of the NAMFCU, to investigate effectively and resolve cases of this nature. The use of multi-state teams representing the interests of all aggrieved states allows the District to recoup monies without each state duplicating the efforts of the others. In FY 2003, the MFCU received over \$155,000 to settle global cases we worked on. The Unit continues to participate in several global settlement negotiations and anticipates receiving a sum significantly above that amount as monetary settlements in FY 2004.

In short, recovery of significant amounts of program funds lost to fraud and abuse remains of paramount importance to the Unit. We generally consider the amount of Medicaid program funds allegedly lost in any particular situation to be a key factor in determining whether to initiate an investigation. When investigations are commenced, the MFCU seeks to structure them in such a way as to maximize the potential for recovery. We anticipate that many of the cases initiated in FY 2003 – as well as others that are currently ongoing - will result in substantial future recoveries.

### PATIENT ABUSE

Another vital aspect of the MFCU is the work done in the area of patient abuse. We have jurisdiction to investigate and prosecute cases of abuse and neglect in nursing homes, group homes for the mentally retarded or mentally ill, and board and care facilities. Cases of physical abuse generally involve an intentional assault on the patient. In contrast, neglect cases typically focus on poor care rendered to the patient. The latter

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## ACTIVITIES OF THE MEDICAID FRAUD CONTROL UNIT

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cases include poor medical care, poor nutrition or sanitation, or a failure to properly supervise living conditions.

Abuse cases are among the most disturbing matters handled by the MFCU. These cases are generally assigned personnel with a specialized background who can handle them in a diligent and expeditious, yet sensitive, manner. They require investigators and prosecutors to sort through voluminous medical records and documents, while often working with emotional and distressed persons, their families, and medical staff.

FY 2003 began with an important milestone: the MFCU obtained the involuntary manslaughter conviction of Keisha Holmes, a caregiver in two District of Columbia nursing homes. Ms. Holmes' reckless indifference to the safety of a patient under her care resulted in that patient drowning when left unattended in tub filled with running water. To the best of our knowledge this represents the first such manslaughter prosecution stemming from reckless care in a District nursing home. Holmes was sentenced to 6-18 months imprisonment (all but 90 days suspended) on an attempted involuntary manslaughter count and 180 days (all but 60 days suspended) on an assault count involving another nursing home patient whom she had slapped. As with all defendants convicted of patient abuse, she has also been excluded from the Medicare and Medicaid programs nationwide. We believe this case will send a strong message to the professionals throughout this industry that due care must be taken to protect the safety and welfare of their vulnerable patients.

Another notable case handled by the MFCU was *United States v. Herring*. In that case, the defendant was a caregiver in a group home for mentally retarded citizens when he sexually abused one of the residents under his care. Upon receiving an unusual incident report describing potential sexual abuse by Mr. Herring, the MFCU quickly initiated an investigation. Partnering with the Department of Human Services, we confirmed the allegation and obtained a confession from the defendant. On September 22, 2003, Herring pleaded guilty to First Degree Sexual Assault of a Ward in District of Columbia Superior Court and was immediately detained without bond. He is scheduled to be sentenced on November 14, 2003, and faces a maximum of 10 years' imprisonment.

Another example of the Unit's work on abuse cases involving Medicaid patients residing in group homes for the mentally retarded was provided in *United States v. Virginia Floyd*. In that case the defendant was also a caregiver in a group home for the mentally retarded, and was convicted of assault after violently abusing one of the residents in her care by beating that resident with a belt.

Yet another aspect of the MFCU's patient abuse efforts is the investigation and prosecution of financial abuse and exploitation cases. The case of *United States v. Janice Wilkins* provides a clear illustration of how our increasing actions in this area are filling a

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## **ACTIVITIES OF THE MEDICAID FRAUD CONTROL UNIT**

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law enforcement void by providing detection and punishment of crimes against vulnerable persons that, unfortunately, previously drew little attention. Ms. Wilkins was a security guard at a District nursing home who stole a series of Social Security checks from elderly nursing home residents. Following a joint investigation with the Social Security Administration Office of Inspector General, Ms. Wilkins pleaded guilty to Felony Theft and was convicted on July 1, 2003, in District of Columbia Superior Court.

Throughout the year, nursing homes, community residence facilities and group homes for the mentally retarded and mentally ill provide the MFCU with a steady stream of unusual incident reports. Although many of these reports describe medical conditions or accidents that have no connection to abuse or neglect, some reports contains serious allegations of abuse and neglect requiring a rapid response. Several of these reports resulted in extensive investigations. The MFCU continues to reach out to these providers to inform them of the unusual incident reporting process and its importance to the well being of their residents. In FY 2003, nearly 1,000 unusual incident reports were received, ranging from reports of changes in medical conditions of nursing home patients to reports of alleged assaults of residents by employees of the facilities. The unusual incident reports allow the Unit's abuse and neglect specialists to commence their investigations with little delay. We continue to work with the industry and our partners at the Department of Health, Department of Human Services and Department of Mental Health in order to make the reporting process more effective and efficient for all concerned.

Lastly, the District of Columbia has one of the most progressive laws in the nation regarding the abuse of vulnerable adults. The Seniors Protection Amendment Act of 2000 criminalizes both the abuse and the neglect of vulnerable adults. The law includes prohibitions of abuse by assault or threats of assault, verbal harassment, or involuntary confinement. Neglect that now constitutes criminal behavior includes the failure to provide the care necessary to maintain the physical and mental health of a vulnerable adult. This law expands the prosecution options available in abuse cases and allows for the filing of charges much more specifically targeted at this type of abusive behavior. The MFCU anticipates utilizing this new law whenever appropriate in future cases.

### **GOVERNMENTAL LIAISON**

In addition to all of the above-mentioned cooperative activities, the MFCU continues to work closely with the Department of Health in a number of ongoing efforts to prevent patient abuse and neglect. We anticipate significant new training programs in the future. We also work closely with the Metropolitan Police Department (MPD) in this area and coordinate our efforts so as to avoid any confusion or duplication of efforts. Similarly, we frequently collaborate with the Department of Human Services in our investigations of potential abuse or neglect in group homes for the mentally retarded. Furthermore, in the fraud area, we established a working relationship with the District's Department of

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## **ACTIVITIES OF THE MEDICAID FRAUD CONTROL UNIT**

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Insurance and Securities Regulation (DISR), which is responsible for regulating the managed care organizations that provide a significant portion of the health care rendered under the Medicaid program. We anticipate significant mutual benefits to flow from this relationship, and have already received some promising referrals from DISR.

### **SUMMARY OF MANAGEMENT ALERT REPORT ISSUED**

The MFCU periodically issues Management Alert Reports (MARs) to District agencies that are involved with the Medicaid program. These are based on potential problems or weaknesses in the Medicaid program as viewed from the perspective of the MFCU. The Unit issued one MAR in FY 2003. The following is a brief description of the potential problems and suggested corrective steps provided for consideration in the MAR.

#### **Management Alert Report Regarding Qualifications of Mental Health Providers at Free Standing Mental Health Clinics, MAR No. 03-M-01, June 17, 2003**

This MAR issued to the Medical Assistance Administration (MAA) suggested clarification of the Medicaid program rules concerning the qualifications required of providers of mental health services at Free Standing Mental Health Clinics (FSMHCs). The existing program rules were somewhat confusing and some provisions could have been interpreted as allowing for the reimbursement of some mental health professionals who were practicing beyond the scope of their license. This could not only result in confusion among some mental health providers who are honestly seeking to bill the program correctly, but could also complicate any future prosecutions for fraudulent claims submitted by FSMHCs. We recommended that the Medicaid regulations be modified so as to make clear that psychotherapy services rendered by licensed professional counselors acting beyond the scope of their license are not reimbursable under Medicaid. On August 8, 2003, James Buford, Director, Department of Health, responded to the MAR. Mr. Buford identified 29 DCMR Sec. 899.1(f) as the source of confusion regarding mental health professionals. He indicated that in the near future DOH would draft rules deleting this provision. Furthermore, he indicated that in the long term, MAA and the Department of Mental Health would work together to clarify the rules and regulations governing the provision of mental health services under the District's Medicaid program.

### **CONCLUSION**

In its third full year of operation, the pace with which the MFCU investigates fraud, abuse, and neglect cases continues to gather momentum. During FY 2003, the Unit obtained three criminal convictions and recovered one of the largest Medicaid fraud settlements in the nation. In addition, the Unit continued to demonstrate a high level of activism and gained prestige through its membership in task forces, invitations to make

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## **ACTIVITIES OF THE MEDICAID FRAUD CONTROL UNIT**

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presentations, and publication of articles. There were a number of cases in which the MFCU invested significant resources that are expected to bear fruit in FY 2004. Moreover, an excellent foundation for future success was constructed. The results of performance measures for the Medicaid Fraud Control Unit for FY 2003 are shown in Appendix I.



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## APPENDICES

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**GOVERNMENT OF THE DISTRICT OF COLUMBIA**  
**Office of Inspector General**

**Audit Division Performance Statistics**

Activity	FY 2003 Target	FY 2003 Actual
OIG Reports Issued <sup>1</sup>	37	37
Potential Monetary Benefits	\$25,000,000	\$48,623,623
Percentage of Recommendations Implemented <sup>2</sup>	N/A	N/A
District Agency Coverage	20	23
CAFR Report Signed	2/1/03	1/27/03
Peer Review	N/A	Unqualified Opinion 2/27/03

<sup>1</sup> Number reported includes audit reports, MIRs, and MARs issued by the Audit Division.

<sup>2</sup> This performance measure was established in FY 2002 when the OIG completed its first audit of District agencies' implementation of audit recommendations. The results of that audit established the baseline. District-Wide recommendation follow-up audits will be conducted on a triennial basis with the next audit scheduled to be completed in FY 2005.

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**GOVERNMENT OF THE DISTRICT OF COLUMBIA**  
**Office of Inspector General**

**Audit Division Cost and Recommendation Status**

Audit Title	Cost	Recommendations	
		Made	Open
Audit of the Health Care Safety Net Contract	\$100,252	11	2
Audit of Rent Collections in the District of Columbia Government	66,008	15	7
Final Audit Certification, Federal Payment for the Washington Interfaith Network	9,690	0	0
Audit of the Home Purchase Assistance Program for the Years Ended September 30, 2000, 1999, and 1998	30,000	4	1
Comprehensive Annual Financial Report for the year ended September 30, 2002	2,015,240	0	0
District of Columbia Management Letter September 30, 2002		26	0
Audit of the District of Columbia Highway Trust Fund	73,751	0	0
Audit of the District of Columbia Housing Authority's Monitoring of HOPE VI Projects	86,795	8	7
Audit of the District of Columbia Child Support Enforcement System	142,326	18	5
Independent Accountant's Report on Applying Agreed-Upon Procedures to the National Railroad Passenger Corporation (Amtrak) Corporate Labor Additive Rates for the Years Ended September 30, 1998, and 1997	16,000	3	0
Audit of Background Investigations for Information Technology Personnel	58,926	2	0
Audit of the District of Columbia Housing Authority's Contract Management and Record Keeping for HOPE VI Projects	88,866	5	1

**GOVERNMENT OF THE DISTRICT OF COLUMBIA**  
**Office of Inspector General**

**Audit Division Cost and Recommendation Status**

Audit Title	Cost	Recommendations	
		Made	Open
Report on the Examination of the District of Columbia's Highway Trust Fund Forecast Statements for Fiscal Years 2003 - 2007 with Audited Figures for FY 2002	73,751	0	0
Audit of Unusual Incident Reporting Procedures at the District of Columbia Department of Mental Health	154,045	14	0
District Department of Transportation Highway Trust Fund Management Letter for the Year Ended September 30, 2002	7,909	5	0
Audit of the District of Columbia Public Schools' Central Investment Fund and Expedited Purchasing System	12,423	0	0
Audit of Software Licensing	57,601	4	0
Report on Hotline Complaints at the District of Columbia Department of Mental Health	50,230	8	0
Audit of the Homeless Shelter Program	96,817	17	4
Audit of Procurement Activities by the Office of Contracting and Procurement for the Department of Consumer and Regulatory Affairs	45,717	5	0
Department of Consumer and Regulatory Affairs Professional Engineers' Fund Financial Statement Audit for the for the Six Months Ended September 30, 2001	22,693	0	0
Department of Consumer and Regulatory Affairs Professional Engineers' Fund Financial Statement Audit for the Fiscal Year Ended September 30, 2002	45,220	0	0
Audit of the District of Columbia's Housing Authority's Financial Management of Hope VI Grant Funds	67,457	5	5

**GOVERNMENT OF THE DISTRICT OF COLUMBIA**  
**Office of Inspector General**

**Audit Division Cost and Recommendation Status**

Audit Title	Cost	Recommendations	
		Made	Open
Office of the Corporation Counsel Antifraud Fund Financial Statement Audit for the Fiscal Year Ended September 30, 2002	7,288	0	0
District of Columbia Public Schools Budgetary Comparison Schedule Governmental Funds and Supplemental Information, September 30, 2002 (With Independent Auditor's Report Thereon)	323,000	0	0
District of Columbia Public Schools Reportable Conditions in Internal Control Over Financial Reporting and Management Letter Comments for the Year Ended September 30, 2002		10	0
Use of Homeland Security Funds at the District of Columbia Public Schools	11,181	2	0
Totals	\$3,663,186	162	32



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**GOVERNMENT OF THE DISTRICT OF COLUMBIA**  
**Office of Inspector General**

**Inspections and Evaluations Division Performance Statistics**

Activity	FY 2003 Target	FY 2003 Actual
Number of Reports of Inspection prepared	6	8
Number of Management Alert Reports prepared	8	6
Number of follow-up reports on agency compliance with Office of Inspector General recommendations prepared	3	3
Percentage of OIG recommendations agreed to by District agency management	80	63

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**GOVERNMENT OF THE DISTRICT OF COLUMBIA**  
**Office of Inspector General**

**Inspections and Evaluations Division Cost and Recommendation Status**

Inspection Title	Cost	Recommendations	
		Made	Open
Department of Corrections Central Detention Facility	\$ 82,926	55	55
Fire and Emergency Medical Services Department	76,110	30	30
Department of Health - Health Regulation Administration	61,533	25	25
Department of Health - Addiction Prevention and Recovery Administration	53,922	29	29
Department of Health - Medical Assistance Administration	43,645	45	10
Department of Motor Vehicles - Inspection Station	21,672	33	5
Department of Health - Environmental Health Administration	46,311	11	11
Office of the Chief Medical Examiner	124,292	74	74
Department of Motor Vehicles	43,301	92	26
Total Costs	\$ 553,712	394	265

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**GOVERNMENT OF THE DISTRICT OF COLUMBIA**  
**Office of Inspector General**

**Investigations Division Performance Statistics**

<b>Activity</b>	<b>FY 2003 Target</b>	<b>FY 2003 Actual</b>
Number of investigation reports prepared	90	18
Number of management reports produced, including Management Alert, Fraud Alert, and Management Implication Reports	10	6
Number of investigation matters received	450	408
Number of investigations opened	180	124
Number of investigations closed	185	290
Number of matters referred	160	168
Number of referrals closed	144	127
Number of Hotline calls received	200	133
Number of criminal convictions	16	8
Dollar value of fines, recoveries, and restitutions	\$975,000	\$350,317

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**GOVERNMENT OF THE DISTRICT OF COLUMBIA  
Office of Inspector General**

**Investigations Closed**

<b>Agency</b>	<b>Total</b>
Advisory Neighborhood Commissions	6
Alcoholic Beverage Regulation Administration	1
Board of Real Property Assessments & Appeals	1
Child and Family Services Agency	8
Citywide Call Center	2
Commission on Mental Health Services	11
Council of the District of Columbia	2
D.C. Emergency Management Agency	1
D.C. Financial Responsibility & Mgmt. Assistance Authority	1
D.C. General Hospital – Public Benefit Corporation	5
D.C. Housing Authority	1
D.C. Lottery and Charitable Games Control Board	5
D.C. Office of Personnel	1
D.C. Public Library	1
D.C. Public Schools	17
D.C. Superior Court	2
Dept. of Consumer and Regulatory Affairs	25
Dept. of Corrections	8
Dept. of Employment Services	2
Dept. of Finance & Revenue	1
Dept. of Fire and Emergency Medical Services	4
Dept. of Health	15
Dept. of Housing and Community Development	5
Dept. of Human Services	7
Dept. of Human Rights & Minority Business Development	5
Dept. of Insurance and Securities Regulation	2
Dept. of Mental Health	5
Dept. of Mental Health Services	3
Dept. of Motor Vehicles	20
Dept. of Parks and Recreation	3
Dept. of Public Works	20
Dept. of Transportation	6
Executive Office of the Mayor	8
Metropolitan Police Department	9
Office of Campaign Finance	1
Office of the Chief Financial Officer	8
Office of the Chief Technology Officer	4
Office of Contracting & Procurement	5



**GOVERNMENT OF THE DISTRICT OF COLUMBIA**  
**Office of Inspector General**

**Investigations Closed**

<b>Agency</b>	<b>Total</b>
Office of the Corporation Counsel	5
Office of the D.C. Auditor	1
Office of the D.C. Treasurer	1
Office of Employee Appeals	1
Office of Local Business & Economic Development	1
Office of Property Management	4
Office of Tax and Revenue	1
Other	28
Pretrial Service Agency	2
Public Service Commission	2
St. Elizabeth Hospital	1
State Education Office	1
Taxicab Commission	5
University of the District of Columbia	1
Washington Convention Center	2
Water and Sewer Authority	3
<b>Total Closed Investigations</b>	<b>290</b>

**GOVERNMENT OF THE DISTRICT OF COLUMBIA**  
**Office of Inspector General**

**Hotline Statistics**

Category	Q1	Q2	Q3	Q4	Total
Threats to public health, to public safety, or to the environment; or involving unsafe working conditions	0	1	1	1	3
Physical assaults or threats of violence	1	2	1	0	4
Fraud, theft, or false claims	5	2	3	4	14
Bribery, extortion, kickbacks, or illegal gratuities	2	3	4	2	11
Misuse of government funds or property; or use of official position for private gain	3	8	8	2	21
Governmental waste, inefficiency, or mismanagement	3	7	5	5	20
Contract fraud or procurement violations	1	3	4	2	10
False statements	0	0	1	0	1
Ethics violations and conflicts of interest	0	1	0	1	2
Time and attendance fraud	4	3	5	1	13
Harassment, retaliation, or abuse of authority by a supervisor or by another government official	3	4	0	3	10
Hiring, promotion, or other treatment of employees in violation of personnel regulations	2	1	3	3	9
Incivility or lack of response from an agency	0	0	1	1	2
Miscellaneous	3	3	3	4	13
<b>TOTALS</b>	<b>27</b>	<b>38</b>	<b>39</b>	<b>29</b>	<b>133</b>

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**GOVERNMENT OF THE DISTRICT OF COLUMBIA**  
**Office of Inspector General**

**Investigative Referrals**

Agency	Referrals
Child and Family Services Agency	1
City Council	1
D.C. Auditor	2
Department of Consumer and Regulatory Affairs	9
Department of Corrections	4
Department of Employment Services	4
Department of Fire and Emergency Medical Services	6
Department of Health	9
Department of Housing and Community Development	2
Department of Human Services	15
Department of Mental Health	7
Department of Motor Vehicles	16
Department of Parks and Recreation	2
Department of Public Works	10
Department of Transportation	5
Executive Office of the Mayor *	4
Federal **	8
Housing Authority	3
Metropolitan Police Department	12
Multiple Agencies ***	6
Office of Campaign Finance	2
Office of the Chief Financial Officer	9
Office of the Chief Technology Officer	2
Office of Contracting and Procurement	2
Office of the Corporation Counsel	4
Office of Human Rights	6
Office of Inspector General (Audit Division)	1
Office of Inspector General (Inspections & Evaluations Division)	1
Office of Personnel	5

**GOVERNMENT OF THE DISTRICT OF COLUMBIA**  
**Office of Inspector General**

**Investigative Referrals**

Agency	Referrals
Public Schools	8
Taxicab Commission	1
Water and Sewer Authority	1
Total Referrals	168

\* Deputy Mayor (2), City Administrator, Executive Office of the Mayor.

\*\* Secret Service, United States Postal Service OIG, US Department of Justice OIG, US Department of Interior (2), FBI, Social Security Administration OIG.

\*\*\* DCOP and DOH; DCOP and DMV; OCF and FBI; DCRA and DOH; DCOP, DMH, OCC, and OHR, DMH and OHR

**GOVERNMENT OF THE DISTRICT OF COLUMBIA**  
**Office of Inspector General**

**Medicaid Fraud Control Unit Performance Statistics**

Activity	FY 2003 Target	FY 2003 Actual
Number of reports addressing unusual incidents at nursing and group homes including incidents resulting in injury or illness to a ward or resident of a nursing home, community residence facility, or group home for persons with mental retardation	400	973
Number of fraud cases initiated	30	27
Amount of recovered funds including damages assessed, penalties imposed, and overpayments recouped (millions of \$)	2.5	13.15
Number of division reports issued	15	13
Number of matters accepted for prosecution	10	10
Number of abuse cases initiated	20	23

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**GOVERNMENT OF THE DISTRICT OF COLUMBIA**  
**Office of Inspector General**

**Testimony by the Inspector General**

Listed below are the topics and dates of OIG testimony presented before the City Council and other official statements and remarks made by the Inspector General.

September 25, 2003	Testimony Before the Committee on the Judiciary - Inspection of the Office of the Chief Medical Examiner
August 12, 2003	Letter to the Editor, <i>The Washington Post</i> , by Charles C. Maddox, Inspector General of the District of Columbia (Edited version published on August 12, 2003)
June 18, 2003	Testimony Before the Committee on Human Services - Re-inspection of the Department of Health Medical Assistance Administration
June 11, 2003	Testimony Before the Committee on Human Services - Inspection of the Department of Health
June 5, 2003	Statement Submitted for the Record by D.C. Inspector General for the Council of the District of Columbia Committee on the Judiciary Public Oversight Hearing on Child Support Enforcement in the District of Columbia
April 23, 2003	Remarks by Inspector General Charles C. Maddox - First Health Settlement Press Conference
March 7, 2003	Testimony Before the D.C. Council Committee on Government Operations - Fiscal Year 2004 Budget Review
October 7, 2002	Statement of the Inspector General Before the Committee on Human Services' Hearing on the Health Care Safety Net
November 13, 2002	Statement by the Inspector General Before the Committee on the Judiciary – Results of the Inspection of the Department of Corrections, Central Detention Facility
December 19, 2002	Testimony Before the Committee on Government Operations Oversight Hearing - "Report of Investigation of Fundraising Activities of the Executive Office of the Mayor"



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**GOVERNMENT OF THE DISTRICT OF COLUMBIA**  
**Office of Inspector General**

**Media Highlights**

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Listed below are the media highlights published in local news publications covering the work by the Office of Inspector General.

“Audit Faults D.C. Special-Ed Finances”  
October 3, 2002 (WP)

“Firm Faulted on Health Plan for D.C. Poor”  
October 8, 2002 (WP)

“Prosecution Is Rejected On Williams Fundraising”  
October 9, 2002 (WP)

“Ex-Nursing Assistant Sentenced”  
October 11, 2002 (WP)

“D.C. Finds Big Delays in EMT Response”  
October 18, 2002 (WP)

“Report Hits EMS On Service, Staffing”  
October 18, 2002 (WT)

“Ex-D.C. Official Sentenced for Fraud”  
October 23, 2002 (WP)

“D.C. Mayor, 11 Top Aides Criticized”  
October 30, 2002 (WP)

“Audit Brings Bad News to D.C. Healthcare Alliance”  
November 11, 2002 (WBJ)

“Towing Regulations Near Completion”  
December 29, 2002 (WT)

“Mayor Suspends Aide Tied to Probe”  
January 9, 2003 (WT)

“HIV/AIDS Spending Reviewed In D.C.”  
January 24, 2003 (WP)

**GOVERNMENT OF THE DISTRICT OF COLUMBIA**  
**Office of Inspector General**

**Media Highlights**

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“Charges Filed In Teachers’ Union Embezzlement Scandal”  
January 28, 2003 (WJLA)

“D.C. Officials Probe Attempt to Purchase Impound Lot”  
February 13, 2003 (WP)

“Inspector General Investigates D.C. Ethics Board”  
March 12, 2003 (NBC4)

“IG Report Supports D.C. Medic’s Call”  
April 10, 2003 (WP)

“D.C., U.S. Settle With Medicaid Contractor”  
April 24, 2003 (WP)

“Medicaid Biller to Pay \$13 Million For Errors”  
April 24, 2003 (WT)

“DMV Fires Clerk, Says He Pilfered Cash Fees”  
May 10, 2003 (WP)

“District’s Maddox Alleges Intrusion”  
May 24, 2003 (WP)

“D.C. Leader Resigns Amid Questions  
Office of Property Management Scrutinized”  
June 12, 2003 (NBC4)

“Purchases Added to D.C. Probe”  
June 12, 2003 (WP)

“D.C. Official Quits Amid Lease Uproar”  
June 12, 2003 (WP)

“Old ‘Deficiencies’ Continue to Haunt Medicaid Agency”  
June 22, 2003 (WP)

“IG Hits City’s Medicaid-fraud Unit”  
June 24, 2003 (WT)

**GOVERNMENT OF THE DISTRICT OF COLUMBIA  
Office of Inspector General**

**Media Highlights**

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“D.C. Gets Tougher Towing Statute”  
June 30, 2003 (WT)

“Green Acres”  
June 27 – July 3, 2003 (WCP)

“Two Charged With Fixing D.C. Tickets for Bribes”  
August 8, 2003 (WP)

“Auditors Again Fault Housing Authority”  
September 12, 2003 (WP)

“Medical Examiner Seen Quitting in Flap”  
September 24, 2003 (WT)

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**References:** Washington Post – **WP** The Washington Times – **WT** DCWatch – **DCW** Washington City Paper – **WCP** The Common Denominator – **CD** WTOP NEWS – **WTOP** ABC 7 News -**WJLA**

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**Office of Inspector General**

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